Supreme Court, U.S.
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No. 05-

IN THE

Supreme Court of the United States

FORT JAMES CORPORATION,

Petitioner,

v.

SOLO CUP COMPANY,

Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR WRIT OF CERTIORARI

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WILSON-EPES PRINTING CO., INC. – (202) 789-0096 – WASHINGTON, D. C. 20001

QUESTION PRESENTED

1. Whether the Federal Circuit erred in holding that an unconditional covenant not to sue or challenge a verdict does not moot the controversy and thus divest a district court of jurisdiction over an unresolved declaratory judgment counterclaim because the covenant was granted *after* the verdict rather than before the verdict.

CORPORATE DISCLOSURE STATEMENT

Pursuant to this Court's Rule 29.6, petitioner Fort James Corporation states that its parent corporations and publicly held companies that hold 10 percent or more of its stock are Georgia Pacific Corporation.

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INTRODUCTION

Federal district courts are busy enough without being ordered by the Federal Circuit to issue advisory opinions on issues that have been rendered moot. Yet, that is exactly what happened in this case when a panel majority ruled that a post-verdict covenant not to sue or challenge the verdict did not extinguish declaratory judgment jurisdiction over a "defensive" counterclaim.[1] This Court repeatedly has held that Article III of the Constitution and the Declaratory Judgment Act require an actual case or controversy at "all stages of review." *Preisser v. Newkirk*, 422 U.S. 395, 401 (1975). The Federal Circuit's attempt to change "all stages of review" to "before the verdict" simply cannot stand under this Court's precedent, and the practical effect of such a change on our district courts would be to increase an already enormous workload.

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[1] By "defensive," Fort James means a declaratory judgment claim that parallels what might also appear as an affirmative defense, *e.g.*, a counterclaim seeking a declaration that the patent at issue is invalid or is unenforceable, or a *Walker Process* antitrust claim. *See, e.g., Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 95-96 (1993); *Teva Pharms. USA, Inc. v. Pfizer, Inc.*, 395 F.3d 1324, 1332 (Fed. Cir. 2005), *cert. denied*, 126 S. Ct. 473 (U.S. Oct. 11, 2005); *Unitherm Food Systems, Inc. v. Swift-Eckrich, Inc.*, 375 F.3d 1341, 1357-58 (Fed. Cir. 2004), *cert. granted in part*, 125 S. Ct. 1396 (U.S. Feb. 28, 2005). Under long-standing law, both at and pre-dating the Federal Circuit, such a declaratory judgment claim requires that the declaratory judgment plaintiff have a reasonable apprehension of liability to the patent owner. *See, e.g., Teva*, 395 F.3d at 1332; *Societe de Conditionnement en Aluminum v. Hunter Eng'g Co.*, 655 F.2d 938, 944 (9th Cir. 1981); *Super Prods. Corp. v. D P Way Corp.*, 546 F.2d 748, 753 (7th Cir. 1976); *Sherwood Med. Indus., Inc. v. Deknatel, Inc.*, 512 F.2d 724, 727 (8th Cir. 1975); *Sweetheart Plastics, Inc. v. Ill. Tool Works, Inc.*, 439 F.2d 871, 874 (1st Cir. 1971).

In reaching its flawed result, moreover, the Federal Circuit turned this Court's opinion in *Cardinal Chemical Co. v. Morton International, Inc.*, 508 U.S. 83 (1993), on its head. In *Cardinal Chemical*, this Court held that an appellate court's affirmance of a district court's finding of non-infringement does not, by itself, permit the appellate court to vacate a judgment of invalidity as moot, because an interim ruling may be set aside or appealed. In contrast, this Court observed, other events during the course of the litigation may create "definitive mootness" that requires the dismissal of a declaratory judgment count. Relying on *Cardinal Chemical*, however, the Federal Circuit held that a verdict was not only inadequate by itself to moot a counterclaim, but actually provided a shield against any later act mooting the claim. This legal error defies logic and ignores the express holdings of *Cardinal Chemical* and this Court's case law on ripeness and mootness. Because declaratory judgment counterclaims of patent non-infringement and invalidity are unique to patent law, no split of circuit authority can develop and this Court should now exercise its supervisory power to correct the Federal Circuit's gross departure from the accepted and usual standards regarding declaratory judgment jurisdiction. The Federal Circuit's monopoly on matters of patent law does not give it license to set its own rules as to what is a justiciable controversy and what is not.

OPINIONS BELOW

The Federal Circuit's decision is reported at *Fort James Corp. v. Solo Cup. Co.*, 412 F.3d 1340 (Fed. Cir. 2005), and reprinted in the Appendix ("App.") at 1a-26a. The order denying the Combined Petition for Panel Rehearing and Rehearing En Banc (App. 27a-28a) was entered on September 1, 2005 and is unreported. The decision of the United States District Court for the Eastern District of

Wisconsin (App. 29a-35a) was entered on January 15, 2003 and is unreported.

JURISDICTION

The Federal Circuit rendered its decision on June 22, 2005, App. 1a-26a, and denied a timely petition for rehearing on September 1, 2005, App. 27a-28a. This Court has jurisdiction under 28 U.S.C. § 1254(1).

PERTINENT CONSTITUTIONAL AND STATUTORY PROVISIONS

Article III, section 2 of the United States Constitution provides in relevant part:

"The judicial Power shall extend to all Cases, in Law and Equity, arising under this Constitution, the Laws of the United States, and Treaties made; [and] to Controversies . . . between citizens of different States . . . ."

28 U.S.C. § 2201 provides in relevant part:

"In a case of actual controversy within its jurisdiction . . ., any court of the United States . . . may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought."

STATEMENT OF THE CASE

At issue in this case is whether—in cases where subject matter jurisdiction over a declaratory judgment count requires the declaratory judgment plaintiff's apprehension of suit or liability—an unconditional promise by the declaratory judgment defendant that negates the apprehension is effective to eliminate jurisdiction *only* when given prior to a verdict, but *not* at all stages of litigation.

This is a case that ended almost three years ago, and the patents-in-suit are now expired. On November 25, 2002, the jury returned a "tie" verdict finding Fort James's U.S. Patent No. 4,609,140 ("the '140 Patent") to be valid but not infringed by Solo, and finding U.S. Patent No. 4,721,499 ("the '499 Patent") not infringed. (Solo did not challenge the validity of the '499 Patent.) Subsequently, to put this matter to rest, on December 13, 2002, Fort James provided Solo with a written unconditional covenant ("the Covenant") that it would not to seek to overturn the jury's verdict by means of post-trial motions, appeal, or otherwise, and that it would not assert any patent infringement claim against Solo under any claim of the patents in suit with respect to "any product currently advertised, manufactured, marketed or sold by Solo, or any product which was advertised, manufactured, marketed or sold by Solo [prior to the date the covenant was executed]."

The District Court addressed Solo's residual declaratory judgment counterclaim of unenforceability of the '140 Patent (which was not put to the jury) in an order issued January 15, 2003. App. 29a. There, the District Court concluded that it did not have subject matter jurisdiction because the Covenant eliminated the existence of a case or controversy between the parties. Accordingly, the District Court ruled that "the currently unresolved counterclaims are moot." App. 35a. The '140 Patent subsequently expired in September 2003. Over one year after the District Court order, in April 2004, Solo appealed to the Federal Circuit, challenging the District Court's dismissal of the unenforceability counterclaim and seeking remand to hold a hearing on the inequitable conduct allegations that formed the basis of its counterclaim.

On June 22, 2005, a panel majority of the Federal Circuit issued its decision in a precedential opinion, reversing the District Court's ruling that it lacked subject matter

jurisdiction to decide Solo's unenforceability counterclaim, and remanding for consideration of Solo's counterclaim of unenforceability and its request for attorneys' fees "as a remedy for its counterclaim." App. 13a-14a & n.3. According to the panel, the Covenant "had no effect on Fort James's claim of infringement, because that controversy had already been *resolved* by the jury's verdict." App. 12a (emphasis added). The panel thereby considered the Covenant a nullity even though, absent the Covenant, Fort James could have challenged the verdict in post-judgment motions or on appeal. The panel thus held that declaratory judgment jurisdiction remained because a *verdict* of non-infringement does not render moot a declaratory judgment claim of unenforceability. App. 13a. The panel remanded the case back to the District Court to resolve "Solo Cup's claims of unenforceability on the basis of inequitable conduct and its request for attorney fees pursuant to 35 U.S.C. 285." App. 13a-14a.

Judge Schall issued a dissenting opinion, concluding that he would affirm the District Court because the Covenant "eliminated any live controversy between the parties and thereby rendered Solo Cup's unenforceability counterclaim moot." App. 19a. He agreed with the panel that a non-infringement verdict alone does not render moot a declaratory judgment counterclaim, but he recognized that here there was more than just a non-infringement verdict—there was a binding covenant not to challenge that verdict. App. 23a.

Judge Schall observed that although in the absence of the Covenant, Solo still faced the prospect of Fort James pursuing its original infringement claim on appeal or the risk of being sued for other acts of infringement, the Covenant unconditionally removed that risk of liability. App. 23a-24a. Moreover, Judge Shall pointed out that Solo faced no risk of liability for infringement of the '140 Patent *at all* because it

had expired, and thus a declaration as to the unenforceability of the patent could have no effect on the legal relationship of the parties. App. 24a. Finally, Judge Shall noted that to the extent that the timing of the Covenant seemed unfair, this was not properly part of the jurisdictional inquiry. App. 25a.

The Federal Circuit denied Fort James's combined petition for panel rehearing and rehearing *en banc* without opinion on September 1, 2005. App. 27a-28a.

REASONS FOR GRANTING THE PETITION

I. DECLARATORY JUDGMENT JURISDICTION REQUIRES A LIVE CONTROVERSY AT "ALL STAGES OF REVIEW"

The law is well settled that the Declaratory Judgment Act requires a court to determine whether "there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." *Md. Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941). The "actual controversy must be extant at all stages of review, not merely at the time the complaint is filed." *Preiser v. Newkirk*, 422 U.S. 395, 401 (1975); *see also Steffel v. Thompson*, 415 U.S. 452, 460 n.10 (1973).

This requirement lies in the Constitutional requirement—mirrored in the text of the Declaratory Judgment Act—that the exercise of federal judicial power depends on the existence of a "case" or "controversy." U.S. Const. art. III, § 2; 28 U.S.C. § 2201. Article III requires that there must be a "definite and concrete" dispute between adverse parties, appropriate to immediate and definitive determination of their legal rights. *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240-41 (1937); *see also Honig v. Doe*, 484 U.S. 305, 317 (1988) ("Under Article III of the Constitution this Court may only adjudicate actual, ongoing controversies."); *Iron*

Arrow Honor Soc'y. v. Heckler, 464 U.S. 67, 70 (1983) ("Federal courts lack jurisdiction to decide moot cases because their constitutional authority extends only to actual cases or controversies.").

Thus, "federal courts are without power to decide questions that cannot affect the rights of litigants in the case before them." *DeFunis v. Odegaard*, 416 U.S. 312, 316 (1974) (quoting *North Carolina v. Rice*, 404 U.S. 244, 246 (1971)). When the controversy between the parties ceases to be "definite and concrete" and "no longer touches the legal relations of parties having adverse legal interests," the matter becomes moot, regardless of the stage in the proceedings. *DeFunis*, 416 U.S. at 317 (internal quotation omitted). That the dispute was alive when the suit was filed, or when a district court or court of appeals renders a judgment, "cannot substitute" for the actual and ongoing case or controversy that jurisdiction requires. *Honig*, 484 U.S. at 317; *see also Lewis v. Cont'l Bank Corp.*, 494 U.S. 472, 477 (1990) ("This case-or-controversy requirement subsists through all stages of federal judicial proceedings, trial and appellate.").

This Court has repeatedly found cases to be moot due to actions or events that occurred at stages later than what occurred here. For example, in *DeFunis*, the plaintiff had obtained his requested injunctive relief in a Washington state trial court, and had then lost before the Washington Supreme Court. *Id.* at 314-15. This Court granted *certiorari*, and the parties briefed the case. At oral argument, however, the Court determined that changed circumstances occurring after *certiorari* had eliminated the case or controversy between the parties, and vacated the decision below as moot. *Id.* at 315-16. Similarly in *Preiser*, 422 U.S. at 401, and *Burke v. Barnes*, 479 U.S. 361, 363 (1987), this Court found the case moot in light of events occurring after the decision of the Court of Appeals. And in *Iron Arrow*, the Court found the case moot in light of events occurring after a previous

remand from the Supreme Court but before the Court of Appeals issued the decision on appeal. 464 U.S. at 69. The jurisdictional requirement, and the test therefore, do not change because there is a jury verdict or an appellate judgment, nor do they change based on the stage of review. Jurisdiction must exist at "all stages of review." *Preiser*, 422 U.S. at 401.

In the patent context, this required—until the Federal Circuit's decision below—the continued apprehension by the counterclaim plaintiff that it was subject to infringement claims by the patentee. *Intellectual Prop. Dev., Inc. v. TCI Cablevision of Cal., Inc.*, 248 F.3d 1333, 1341 (Fed. Cir. 2001); *Amana Refrigeration, Inc. v. Quadlux, Inc.*, 172 F.3d 852, 855 (Fed. Cir. 1999); *Super Sack Mfg. Corp. v. Chase Packaging Corp.*, 57 F.3d 1054, 1058 (Fed. Cir. 1995). Accordingly, the Federal Circuit has held that a patentee may divest a district court of subject matter jurisdiction over a declaratory judgment counterclaim by covenanting not to sue the accused infringer for past or present acts of infringement. *Amana*, 172 F.3d at 855-56; *Intellectual Prop. Dev.*, 248 F.3d at 1340-42; *Super Sack*, 57 F.3d at 1059-60. The only distinction between these cases and the instant case is that here Fort James tendered the Covenant after the jury had returned a verdict, but before any post-judgment motions or appeal. This distinction, however, is not relevant to the subject matter jurisdiction analysis.

The requirement of an ongoing case or controversy is not merely a formality but is well-grounded in the efficient operation of the federal courts. The courts do not issue advisory opinions, and are "not empowered to decide moot questions or abstract propositions." *United States v. Alaska S.S. Co.*, 253 U.S. 113, 116 (1920). To do so would increase the workload of the courts by requiring them to adjudicate issues over which the parties may have some abstract disagreement, but whose resolution does not affect the legal

relationship between the parties. Here, in light of the Covenant and the fact that the patent is expired, the resolution of the unenforceability counterclaim would not affect the legal relationship between the parties.

II. THE FEDERAL CIRCUIT PANEL MAJORITY MISCONSTRUED THE HOLDING OF *CARDINAL CHEMICAL*

The panel majority below recognized the Federal Circuit's holding in *Super Sack* that a patentee may divest jurisdiction over a declaratory judgment counterclaim with a covenant not to sue, but concluded that the "district court's literal application of the holding of *Super Sack* fails to comprehend the unique procedural posture of the instant case." App. 12a. Specifically, the panel focused on the fact that the Covenant was tendered after the jury returned a non-infringement verdict, rather than prior to jury consideration of the underlying infringement claim as had been the case in *Super Sack* and other cases. Thus, the majority concluded that here the Covenant "had no effect on Fort James's claim of infringement, because that controversy *had already been resolved* by the jury's verdict." App. 12a (emphasis added). The majority then analyzed the situation as if the covenant did not exist: the "question then becomes whether the court retained jurisdiction to hear Solo Cup's declaratory judgment counterclaim after the jury determined that Solo Cup's products do not infringe Fort James's patents." *Id.*

After putting on its blinders to the Covenant, the panel majority looked to this Court's decision in *Cardinal Chemical*, which the panel concluded supported the proposition that a jury verdict of non-infringement did not moot a declaratory judgment counterclaim asserted by the accused infringer. App. 13a. *Cardinal Chemical*, however, did not address the declaratory judgment jurisdiction of a district court, but rather involved appellate jurisdiction and held that an appellate court's affirmance of a district court's

finding of non-infringement does not, by itself, permit the appellate court to vacate a judgment of invalidity that the district court has already entered, absent a material change in circumstances that would render the entire dispute moot. 508 U.S. at 95-97.

Cardinal Chemical did not involve the situation where a covenant tendered by the patentee, or some other act, rendered the declaratory judgment counterclaim moot. In the absence of such an act, this Court concluded that "it is perfectly clear" that the district court had jurisdiction to entertain the counterclaim for a declaratory judgment of invalidity, and "equally clear" that the Federal Circuit had jurisdiction to consider the appeal from the declaratory judgment. *Id.* at 96. But here, whether the district court had jurisdiction over the counterclaim in light of the Covenant is precisely the question.

The fundamental error committed by the panel was its conclusion that the Covenant was a nullity to be ignored because it was tendered after the jury verdict, which "had already . . . resolved" the infringement controversy. App. 12a. But while relying on this Court's holding in *Cardinal Chemical* to support its conclusion, the panel majority actually ignored an essential holding of *Cardinal Chemical*—that an appealable non-infringement ruling did not moot a declaratory judgment counterclaim because the ruling *did not* resolve the dispute between the parties.

In *Cardinal Chemical*, this Court did not hold that declaratory judgment jurisdiction survived a non-infringement ruling because or despite the fact that the ruling "resolved" the claim. Rather, it held that an actual controversy continued to exist because "the Federal Circuit is not a court of last resort" and the parties may continue to dispute the issues of infringement and invalidity. 508 U.S. at 97. Moreover, this Court specifically recognized that previously it had

> perceived the distinction between the definitive mootness of a case or controversy, which ousts the jurisdiction of the federal courts and requires dismissal of the case, and a judgment in favor of a party at an intermediate stage of litigation, which does not in all cases terminate the right to appeal.

508 U.S. at 97 n.19 (quoting *Deposit Guar. Nat'l Bank v. Roper*, 445 U.S. 326, 335 (1980)).

This Court recognized that, in some circumstances, intervening events could create definitive mootness and divest jurisdiction that previously existed. *Id.* at 96, 98. "If, before the court had decided the case, either party had advised it of a material change in circumstances that entirely terminated the party's controversy, it would have been proper either to dismiss the appeal or to vacate the entire judgment of the District Court." *Id.* at 98. A patentee's unconditional covenant not to sue is exactly that sort of intervening event or material change in circumstances. *Amana*, 172 F.3d at 855-56; *Intellectual Prop. Dev.*, 248 F.3d at 1340-42; *Super Sack*, 57 F.3d at 1059-60.

The distinction between definitive mootness and an intermediate ruling is further supported by this Court's decision in *Altvater v. Freeman*, 319 U.S. 359 (1943). In *Altvater*, this Court similarly concluded that a decision of non-infringement did not dispose of a declaratory counterclaim of invalidity because "the issues raised by the present counterclaim were justiciable and . . . the controversy between the parties did not come to an end on the dismissal of the bill [of infringement], since their dispute went beyond the single claim and the particular accused devices involved in that suit." 319 U.S. at 363-64. But while the existence of an ongoing actual controversy was critical in *Altvater*, and the Court in *Cardinal Chemical* concluded that continuing litigation of a district court judgment was enough to maintain

the controversy, the present scenario lacks any possibility of actual controversy because Fort James has covenanted not to appeal or otherwise challenge the non-infringement verdict and covenanted not to sue Solo for any past or present acts of infringement. Moreover, the patent itself has now expired.

III. SOLO'S HOPE FOR ATTORNEYS' FEES CANNOT NEGATE THE MOOTNESS OF THE UNDERLYING DISPUTE

To be sure, Solo is not pursuing its unenforceability counterclaim merely for the satisfaction of learning "who was right," despite the fact that a declaration on the enforceability of the '140 Patent will have no effect on the legal relationship between the parties. What Solo desires, by litigating its moot counterclaim, is to develop a factual record at the District Court that Solo *hopes* will support a later claim for attorneys' fees under 35 U.S.C. § 285.

But Solo's hope for attorneys' fees has no bearing on the actual judgment that it appealed, which involves the dismissal of a declaratory judgment counterclaim of unenforceability. Though Solo argued below in the abstract that there is an overlap between the issues of inequitable conduct, unenforceability, and an award of attorneys' fees for an "exceptional case" under 35 U.S.C. § 285, the fact of the matter is that the District Court at no time declined to find the case exceptional or denied an award of attorneys' fees, because Solo never sought this from the court. There is simply nothing to appeal in this regard. *Cf. Lighting World, Inc. v. Birchwood Lighting, Inc.*, 382 F.3d 1354, 1366-67 (Fed. Cir. 2004) (discussing issue of inequitable conduct raised solely in the context of a motion for attorneys' fees); *Paragon Podiatry Lab., Inc. v. KLM Labs., Inc.*, 984 F.2d 1182, 1188 n.6 (Fed. Cir. 1993) (judgment of invalidity does not render inequitable conduct issue moot in light of timely motion for attorneys' fees); *Cambridge Prods., Ltd. v. Penn Nutrients, Inc.*, 962 F.2d 1048, 1049 (Fed. Cir. 1992)

(discussing timely motion for attorneys' fees filed after dismissal of infringement claims).

As Judge Schall pointed out in his dissent, claims for attorneys' fees are collateral to the underlying lawsuit, and have no effect on the question of whether a case has become moot. App. 24a n.2 (citing *Budinich v. Becton Dickinson & Co.*, 486 U.S. 196, 200-01 (1988); *Sprague v. Ticonic Nat'l Bank*, 307 U.S. 161, 170 (1939); *Zucker v. Occidental Petroleum Corp.*, 192 F.3d 1323, 1329 (9th Cir. 1999)). Indeed, "a claim for attorneys' fees does not preserve a case which otherwise has become moot on appeal." *United States v. Ford*, 650 F.2d 1141, 1143 (9th Cir. 1981) (citing *Washington Market Co. v. District of Columbia*, 137 U.S. 62 (1890)); *see also Monzillo v. Biller*, 735 F.2d 1456, 1463 (D.C. Cir. 1984) (citing *Crowell v. Mader*, 444 U.S. 505, 506 (1980)).

Even though Fort James would have opposed them on the grounds that Solo was not entitled to them, Solo could have moved for attorneys' fees under Fed. R. Civ. P. 54(d)(2), but it did not. Had Solo done so, the District Court could have elected to toll the appeal period to include the order on fees in the primary (*i.e.*, this) appeal. Fed. R. Civ. P. 58(c). Alternatively, the District Court could have elected not to extend the appeal period, in which case the fee award order would be addressed in a separate appeal. *Id.* But since Solo did not move for attorneys' fees, and the District Court did not rule on the issue, a hypothetical quest for fees can provide no basis to sustain Solo's appeal of the District Court's *judgment*.

IV. CONTROLLING LAW REQUIRES THAT THE COURT OF APPEALS BE REVERSED AND THE DISTRICT COURT BE AFFIRMED

When correctly applied, this Court's precedent requires that the District Court's judgment dismissing Solo's

unenforceability declaratory judgment counterclaim for lack of subject matter jurisdiction be affirmed, and that the Federal Circuit be reversed. Once Fort James tendered the Covenant, Solo no longer faced the risk of liability for infringement of the '140 Patent on Fort James's original infringement claim or on any other claim of past or present infringement. App. 24a. And once the '140 Patent expired, Solo faced no risk of liability for infringement of the '140 Patent at all.

This Court has repeatedly held that Article III of the Constitution requires an actual case or controversy at "all stages of review," and that material changes in circumstances can create a "definitive mootness" requiring dismissal that is distinct from an intermediate judgment or ruling. *Cardinal*, 508 U.S. at 97; *Preiser*, 422 U.S. at 401. Such changes in circumstances can occur at any time. In the patent context, subject matter jurisdiction over defensive declaratory judgment counterclaims requires the actual and continued apprehension by the counterclaim plaintiff that it is subject to infringement claims by the patentee. *Teva*, 395 F.3d at 1331-32. Because the jurisdictional requirements must persist through "all stages of the litigation," jurisdiction may be divested by a patentee's covenant not to sue tendered during the course of the litigation—no matter at what stage. That is what occurred in the present case, and the entry of a non-infringement verdict prior to the Covenant cannot negate the effect of the Covenant to terminate the dispute between the parties.

CONCLUSION

For the foregoing reasons, this Court should grant the petition for writ of *certiorari*.

Respectfully submitted,

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UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

FORT JAMES CORPORATION, Plaintiff-Appellee,
v.
SOLO CUP COMPANY, Defendant-Appellant.
No. 04-1365.

June 22, 2005.

Opinion for the court filed by Circuit Judge GAJARSA.

Dissenting opinion filed by Circuit Judge SCHALL.

GAJARSA, Circuit Judge.

Solo Cup Company appeals from a post-trial order of the district court that dismissed for lack of jurisdiction its counterclaim for a declaration of unenforceability of a patent owned by Fort James Corporation ("Fort James"). *Fort James Corp. v. Solo Cup Co.*, No. 99-C-0827 (E.D. Wis. Jan. 15, 2003) (order dismissing counterclaim as moot). Solo Cup also appeals the court's pre-trial evidentiary decision holding that an invention disclosure form was protected by attorney-client privilege. *Fort James Corp. v. Solo Cup Co.*, No. 99-C-0827 (E.D. Wis. Nov. 6, 2002) (order denying motion to compel). Because the district court erred in concluding that a post-trial covenant not to sue filed by Fort James divested it of jurisdiction to hear Solo Cup's counterclaim, we reverse for further proceedings consistent with this opinion. We also reverse the court's determination that the contested disclosure form is protected by attorney-client privilege.

I. BACKGROUND

In 1999, Fort James brought suit against Solo Cup alleging infringement of three patents related to disposable pressed paperboard containers (*e.g.*, paper plates) and their methods of manufacture: 3 U.S. Patent Nos. 4,609,140 ("the '140 patent"); 4,606,496 ("the '496 patent")[1]; and 4,721,499 ("the '499 patent"). Solo Cup denied the infringement allegations and counterclaimed for declarations that the patents were invalid, unenforceable, and not infringed. In addition to seeking injunctive relief on its counterclaims, Solo Cup also sought an award of its reasonable attorney fees.

Solo Cup's allegations of invalidity and unenforceability were directed at the '140 patent and grounded in Fort James's conduct during the time period in which the patented invention was developed. The '140 patent claims a high rigidity paper plate and its method of manufacture, which the inventors discovered "by accident" in the course of evaluating production processes used by Fort James between 1980 and 1981. In August and September 1980, commercial production studies were conducted at Fort James's plants in Fort Smith, Arkansas and Darlington, South Carolina. Both subject plants used die A-87, which produced plates with more rigidity than those Fort James manufactured on other dies. The inventors studied die A-87 and determined that it exerted greater pressure on the rim portion of the plate than other die sets, a discovery that resulted in the '140 patent. While Fort James was studying its commercial production methods, plates manufactured using die A-87 were sold to the public along with other paper plates. Based on this chronology, Solo Cup alleged that

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[1] The '496 patent was dropped from the lawsuit prior to trial.

commercial sales of the invention claimed in the '140 patent occurred more than one year prior to the patent's application date of April 13, 1982. Accordingly, Solo Cup claimed that the '140 patent was invalid based on the on-sale bar to patentability found in 35 U.S.C. § 102(b).

Solo Cup also claimed that Fort James had knowingly failed to disclose to the Patent and Trademark Office ("PTO") information regarding its pre-critical date commercial activities. During prosecution, Fort James submitted to the PTO a written declaration signed by Patrick Wnek, one of the inventors named on the '140 patent, that described the process by which Fort James discovered the claimed invention. The Wnek Declaration that was submitted to the PTO indicated that "paper plates produced on the presses used in the test runs starting in August 1980 were batched together with other paper plates produced at the plant, warehoused, and ultimately sold to customers." In contrast to this broad statement regarding the initial commercial sales of the invention, an early draft of the Wnek Declaration included a specific date on which the claimed plates were sent to consumers. According to Solo Cup, Fort James's deliberate deletion of the specific dates of its initial commercial sales constituted inequitable conduct such that the '140 Patent should be declared unenforceable and Solo Cup should be entitled to attorney fees pursuant to 35 U.S.C. § 285.

In the course of conducting discovery on its counterclaims, Solo Cup identified a Fort James document referred to as JR0028487. It is a product development engineering report dated February 2, 1982, which includes the statement "[l]egal counsel has advised a bar was not established during experimental trials at Darlington and Fort Smith." Solo Cup requested the underlying opinion of counsel referenced in JR0028487 and all related documents. Because Fort James had produced the same document during

previous litigation concerning the patents in suit, it determined that it could not claim that the document had been produced inadvertently. Accordingly, Fort James produced the requested opinion of counsel and at least four other documents previously withheld as privileged. Included among the produced documents were additional opinions of counsel regarding the applicability of the on-sale bar to the Fort James patents and correspondence with counsel indicating how the claimed invention was discovered and estimating when customers would have seen or used the product.

On December 8, 2000, Solo Cup filed a motion to compel production of a document that it believed properly fell within the scope of the Fort James waiver. Specifically, Solo Cup sought the production of Document 99 identified on Fort James's Schedule of Withheld Documents as an "[i]nvention disclosure statement discussing invention of pressed paperboard plates to maximize plate rigidity." Document 99, which was dated March 20, 1981, was authored by Patrick Wnek and sent to Fort James's in-house counsel. Solo Cup argued that Document 99 concerned the same subject matter as the other previously privileged documents produced by Fort James, namely the conception and commercialization of the claimed invention, and therefore Fort James could not continue to assert that the document was privileged.

The district court reviewed Document 99 in camera to resolve Solo Cup's motion to compel. On November 6, 2002, the court issued an order denying Solo Cup's motion to compel reasoning that the scope of Fort James's waiver should be construed narrowly by reference only to JR0028487, the document that constituted the initial waiver. In so holding, the district court rejected Solo Cup's argument that the scope of Fort James's waiver should be defined by reference to all the previously privileged documents Fort

James produced in acknowledgement of JR0028487. Accordingly, the court determined that the subject matter of Fort James's waiver was "whether the work carried out by Fort James research personnel prior to June 1, 1981, specifically the sale of plates produced during test runs of die A-87 constituted a 'public use' or a 'commercial offer of sale' under 35 U.S.C. § 102(b)." After examining Document 99, the court found that it "does not contain any information concerning" the bars to patentability found in § 102(b). The court expressly found that "[t]he document contains dates surrounding the conception of the invention and a description of it," but that "[t]he spaces on the form that specifically ask for information concerning the dates on which the invention was 'first offered for sale in commerce' have been left blank." Based on its narrow definition of the scope of Fort James's waiver, the court refused to compel Fort James to produce Document 99.

Approximately one month before trial, Fort James filed a motion in limine to preclude Solo Cup from presenting evidence to the jury on inequitable conduct and unclean hands, the issues underlying Solo Cup's unenforceability counterclaim and its request for attorney fees pursuant to 35 U.S.C. § 285. Because the issues were to be tried to the bench and out of concern that Fort James would be prejudiced by Solo Cup's "parade of horribles" before the jury, the district court granted Fort James's motion and effectively bifurcated the trial.

A ten-day jury trial was held in November 2002. After the close of evidence, but before the case was submitted to the jury, Solo Cup filed several written motions for judgment as a matter of law, including a motion for judgment as a matter of law on patent invalidity. The district court deferred ruling on Solo Cup's JMOL motions and submitted the case to the jury. On November 25, 2002, the jury returned a verdict finding that the '140 patent was not

invalid and that Solo Cup did not infringe any of the patents in suit.

Immediately after the jury was dismissed, Solo Cup asked the court to schedule a hearing on the issues bifurcated from the jury trial. Fort James opposed Solo Cup's request on the ground that the jury verdict negated the controversy underlying the counterclaim of unenforceability. The parties submitted briefs regarding whether the district court had jurisdiction to hear Solo Cup's counterclaim and claim for attorney fees. As an exhibit to its post-trial brief, Fort James attached a declaration of its general counsel stating that Fort James covenanted not to sue Solo Cup on the three patents originally at issue and that it would not seek to overturn the jury's verdict (the "Post-Verdict Covenant"). On January 16, 2003, the district court dismissed as moot Solo Cup's unenforceability counterclaim on the ground that there was no outstanding case or controversy between the parties in light of the Post-Verdict Covenant.

On June 26, 2003, Solo Cup filed a pleading entitled "Motion to Withdraw Certain Pending Motions for Judgment as a Matter of Law" ("Motion to Withdraw"). The Motion to Withdraw referenced by name and docket number the five JMOL motions filed by Solo Cup on November 25, 2002, none of which had been resolved by the district court. Solo Cup specifically withdrew four of its motions, but maintained and requested consideration of its motion for judgment as a matter of law regarding the invalidity of the '140 patent. Fort James responded by arguing that the Motion to Withdraw was untimely because it was not filed within ten days of the entry of judgment as required by Federal Rule of Civil Procedure ("FRCP") 50(b). Fort James argued in the alternative that the Motion to Withdraw was moot and the court lacked jurisdiction to hear it because there was no longer a justiciable controversy between the parties. On March 26, 2004, the district court reiterated the reasoning of

its January 2003 Order and denied as moot the Motion to Withdraw. *Fort James Corp. v. Solo Cup Co.*, No. 99-C-0827 (E.D. Wis. Mar. 26, 2004) (order dismissing motion for JMOL). Final judgment in the case was entered on March 30, 2004.

Solo Cup filed its Notice of Appeal on April 29, 2004, challenging the district court's dismissal of its unenforceability counterclaim and its request for attorney fees as well as the court's failure to compel production of Document 99. Fort James then filed a motion to dismiss Solo Cup's appeal on the ground that it was untimely filed. In support of its motion, Fort James argued that final judgment in this case was entered on June 16, 2003, pursuant to FRCP 58(b)(2). FRCP 58(b)(2) provides that judgment is entered upon the earlier of the filing of a separate document in the docket or "150 days from entry in the civil docket." According to Fort James, the court's January 16, 2003 Order dismissing Solo Cup's counterclaim finally resolved all issues in the case and therefore acted as a judgment. Because no separate document was entered on the docket, Fort James asserted that final judgment was entered by operation of law on June 16, 2003, 150 days from the entry of the January 16, 2003 Order. Under this theory, Solo Cup was required to file its notice of appeal by July 15, 2003, which it failed to do.

On July 15, 2004, Fort James's motion to dismiss was denied by a single judge of this court. Fort James's argument was rejected on the ground that Solo Cup had timely renewed its motion for judgment as a matter of law concerning invalidity pursuant to FRCP 50(b). Solo Cup filed its renewed motion for JMOL on June 26, 2003, within 10 days of the date on which Fort James alleged that judgment was entered. As a motion under FRCP 50(b), Solo Cup's filing tolled the time to appeal until its renewed motion for JMOL was resolved. See Fed. R. App. Proc. 4(A)(i). Because Solo Cup filed its notice of appeal within thirty days of the district

court's order denying its Rule 50(b) motion, its appeal was deemed timely.

II. DISCUSSION

A. Standard of Review

A district court's determination of whether an actual controversy exists to support jurisdiction is a question of law subject to plenary appellate review. *BP Chems. Ltd. v. Union Carbide Corp.*, 4 F.3d 975, 978 (Fed. Cir. 1993). The district court's factual determinations made in the process of resolving questions of law are reviewed for clear error. *Vanguard Research, Inc. v. Peat, Inc.*, 304 F.3d 1249, 1254 (Fed. Cir. 2002).

This court applies the law of the regional circuit, here the Seventh Circuit, with respect to questions of attorney-client privilege and waiver of attorney-client privilege. *GFI, Inc. v. Franklin Corp.*, 265 F.3d 1268, 1272 (Fed. Cir. 2001). In the Seventh Circuit, applicability of privilege is a factual question subject to a clearly erroneous standard of review. *Rehling v. City of Chicago*, 207 F.3d 1009, 1019 (7th Cir. 2000).

B. Jurisdiction of Solo Cup's Appeal

Fort James reasserts its claim previously resolved by the order of a single judge of this court, namely that Solo Cup's notice of appeal was not timely filed. As an initial matter, we note that Fort James should properly have renewed its jurisdictional challenge by filing a motion to reconsider the single judge's order within fourteen days of its issuance as required by Federal Circuit Rule 27(l). Fort James's failure to comply with Rule 27(l) is not fatal, however, because this court has held that the merits panel is not bound by the action of a single judge. *TypeRight Keyboard Corp. v. Microsoft Corp.*, 374 F.3d 1151, 1157 n.5 (Fed. Cir. 2004); *Fieldturf, Inc. v. Southwest Recreational Indus., Inc.*, 357 F.3d 1266, 1268 (Fed. Cir. 2004); *Nilssen v.*

Motorola, Inc., 203 F.3d 782, 785 n. 2 (Fed. Cir. 2000). Although the appellee in *Nilssen* filed a motion for reconsideration, 203 F.3d at 783, there is no indication that the appellees in either *TypeRight* or *Fieldturf* complied with the procedural requirement of Rule 27(l). Accordingly, *TypeRight* and *Fieldturf* support Fort James's assertion that it is entitled to have its jurisdictional claim heard by the merits panel notwithstanding its failure to comply with Rule 27(l). Without acknowledging the existence of Rule 27(l), *Fieldturf* states that because a motion to dismiss denied by a single judge does not become law of the case, the panel is "therefore free, indeed obligated" to determine whether jurisdiction is appropriate, 357 F.3d at 1268. In contrast, no precedential opinion has strictly adhered to the provisions of Rule 27(l) to resolve an appellee's challenge to this court's jurisdiction. Given the precedent of *TypeRight* and *Fieldturf* and the court's responsibility to police the exercise of its jurisdiction, we conclude that it is best to reach the merits of Fort James's jurisdictional argument despite its limited procedural deficiencies.

Fort James argues that its motion to dismiss was improperly denied because Solo Cup's purported Rule 50(b) motion was legally inadequate to toll the appeal deadline. Fort James claims that the Motion to Withdraw, whereby Solo Cup renewed its request for a JMOL on invalidity, failed to comply with the particularity requirement of FRCP 7.

Because the sufficiency of post-judgment motions is a procedural matter not unique to patent law, the law of the Seventh Circuit sets the standard by which we judge the adequacy of Solo Cup's Motion to Withdraw. *Registration Control Sys., Inc. v. Compusystems, Inc.*, 922 F.2d 805, 807 (Fed. Cir. 1990). FRCP 7(b)(1) requires that motions "shall state with particularity the grounds therefor." The Seventh Circuit has determined that the rule's standard for

particularity means "reasonable specification." *Martinez v. Trainor*, 556 F.2d 818, 819-20 (7th Cir. 1977). In the process of applying Seventh Circuit law, this court has previously indicated that the particularity requirement should be applied flexibly in recognition of the peculiar circumstances of the case. *Registration Control*, 922 F.2d at 808. The key issue to be resolved is whether the document filed affords "notice of the grounds and prayer of the motion to both the court and to the opposing party, providing that party with a meaningful opportunity to respond and the court with enough information to process the motion correctly." Id. at 807.

Here, there is no question that Solo Cup's Motion to Withdraw—by itself—did not explain the grounds for its renewed motion for JMOL. Instead, Solo Cup specifically referenced its pending "Motion for Judgment As a Matter of Law That Claim 1 of U.S. Patent No. 4,609,140 is Invalid Under 35 U.S.C. § 102(b)" and requested "consideration of the foregoing pending motion (Court's Docket No. 374)." The motion that Solo Cup cited by name and docket number included five pages of factual and legal arguments in support of Solo Cup's claim for JMOL. When the Motion to Withdraw is read in conjunction with the document specifically referenced therein, there is no question regarding the grounds for the relief demanded. In such circumstances, it is appropriate to consider previously filed documents outside the four corners of the motion in determining whether the particularity requirement of FRCP 7 has been satisfied. *Lac du Flambeau Band of Lake Superior Chippewa Indians v. Wis.*, 957 F.2d 515, 516-17 (7th Cir. 1992) (holding that a brief filed contemporaneously with a motion fulfills the requirement of FRCP 7(b)(1)); *Andreas v. Volkswagen of Am., Inc.*, 336 F.3d 789, 794 (8th Cir. 2003) (approving a district court's reference to a FRCP 50(a) pleading in determining the sufficiency of a FRCP 50(b) motion); *Cambridge Plating Co., Inc. v. Napco, Inc.*, 85 F.3d 752, 761

(1st Cir. 1996) (rejecting as "overly technical" the district court's premise that the sufficiency of a post-judgment motion should be determined by reference only to the four corners of the motion). When put in context of this particular case, the Motion to Withdraw sufficiently alerted Fort James and the court to the issues Solo Cup was raising. The Motion to Withdraw satisfied the particularity requirement of FRCP 7(b)(1) and constituted a valid Rule 50(b) motion such that Solo Cup's time to appeal did not start running until the motion was finally resolved by the district court. Solo Cup's Notice of Appeal was timely filed and this court has jurisdiction to hear its appeal pursuant to 28 U.S.C. § 1295(a).

C. Jurisdiction of the District Court to Hear Solo Cup's Counterclaim

The district court dismissed Solo Cup's counterclaim for a declaration that the '140 patent is unenforceable on the ground that the Post-Verdict Covenant mooted the controversy between the parties. Pursuant to 28 U.S.C. § 2201(a), a declaratory judgment counterclaim may only be brought to resolve an "actual controversy." *Intellectual Prop. Dev., Inc. v. TCI Cablevision of Cal., Inc.*, 248 F.3d 1333, 1340 (Fed. Cir. 2001). In holding that no actual controversy existed here, the district court relied primarily on this court's jurisprudence in *Super Sack Manufacturing Corp. v. Chase Packaging Corp.*, 57 F.3d 1054, 1058 (Fed. Cir. 1995).

In *Super Sack*, this court stated that "a patentee defending against an action for a declaratory judgment of invalidity can divest the trial court of jurisdiction over the case by filing a covenant not to assert the patent at issue against the putative infringer with respect to any of its past, present, or future acts." *Id.* at 1058. The rationale applied by the court in Super Sack was that the patentee's covenant not to sue resolved the actual controversy between the parties,

i.e., the question of infringement of the subject patent, such that the court no longer had Article III jurisdiction to hear a declaratory judgment action regarding the validity or enforceability of that patent. *Id.*; *Spectronics Corp. v. H.B. Fuller Co.*, 940 F.2d 631, 635-36 (Fed. Cir. 1991). Here, the district court concluded that in light of the Post-Verdict Covenant there was no actual controversy between the parties capable of resolution by a hearing on the unenforceability of the '140 Patent and therefore Solo Cup's counterclaim was moot.

The district court's literal application of the holding of *Super Sack* fails to comprehend the unique procedural posture of the instant case. In *Super Sack* and its progeny, the patentee's covenant not to sue was filed prior to consideration or resolution of the underlying infringement claim. In such circumstances, the promise not to sue obviated any reasonable apprehension that the declaratory judgment plaintiff might have of being held liable for its acts of infringement. *Super Sack*, 57 F.3d at 1059 (as a result of the patentee's promise not to sue, the declaratory judgment plaintiff "has no cause for concern that it can be held liable for any infringing acts"); *Spectronics*, 940 F.2d at 636 (the patentee's statement of non-liability made the declaratory judgment plaintiff immune to suit under the claims of the contested patent); *see also Intellectual Prop. Dev.*, 248 F.3d at 1341; *Amana Refrigeration, Inc. v. Quadlux, Inc.*, 172 F.3d 852, 855 (Fed. Cir. 1999). Here, however, the Post-Verdict Covenant had no effect on Fort James's claim for infringement, because that controversy had already been resolved by the jury's verdict. The question then becomes whether the court retained jurisdiction to hear Solo Cup's declaratory judgment counterclaim after the jury determined that Solo Cup's products do not infringe Fort James's patents.

As the Supreme Court has explained, a case or controversy adequate to support jurisdiction of a declaratory judgment counterclaim necessarily exists if a party has actually been charged with infringement of a patent. *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 95, 113 S.Ct. 1967, 124 L.Ed.2d 1 (1993). Furthermore, a counterclaim questioning the validity or enforceability of a patent raises issues beyond the initial claim for infringement that are not disposed of by a decision of non-infringement. Id. at 96, 113 S.Ct. 1967; *Altvater v. Freeman*, 319 U.S. 359, 364, 63 S.Ct. 1115, 87 L.Ed. 1450 (1943). Accordingly, the jury verdict holding that Solo Cup did not infringe Fort James's patents did not moot Solo Cup's counterclaim for unenforceability nor did it act to divest the district court of jurisdiction to hear that unlitigated counterclaim. *See Fin Control Sys. Pty, Ltd. v. OAM, Inc.*, 265 F.3d 1311, 1321 (Fed. Cir. 2001) (holding that despite the district court's determination of no infringement, it was obligated to consider and rule on defendant's counterclaims of invalidity and unenforceability prior to entering judgment); *Gen. Elec. Co. v. Nintendo Co., Ltd.*, 179 F.3d 1350, 1356 (Fed. Cir. 1999) (stating that "our affirmance of a district court's judgment of noninfringement does not, by itself, moot the declaratory judgment claim of invalidity").[2] The district court erred as a matter of law in holding that it did not have jurisdiction to hear Solo Cup's counterclaim. The case is remanded for resolution of the issues properly before the court prior to its order to bifurcate, namely Solo Cup's claims

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[2] *Paragon Podiatry Lab., Inc. v. KLM Labs., Inc.*, 984 F.2d 1182, 1188 n. 6 (Fed. Cir. 1993); *Buildex Inc. v. Kason Indus., Inc.*, 849 F.2d 1461, 1466 (Fed. Cir. 1988).

of unenforceability on the basis of inequitable conduct and its request for attorney fees pursuant to 35 U.S.C. § 285.[3]

D. Scope of Fort James's Privilege Waiver

Solo Cup argues that the district court committed clear error in determining that Document 99, an invention disclosure statement, was not within the ambit of the privilege waiver created by Fort James's production of JR0028487. Solo Cup ascribes error to the district court's description of the subject matter of the waiver by reference only to JR0028487. Solo Cup also asserts that even applying the district court's limited definition of Fort James's waiver, Document 99 properly falls within that scope and must be produced.

The widely applied standard for determining the scope of a waiver of attorney-client privilege is that the waiver applies to all other communications relating to the same subject matter. *Genentech, Inc. v. U.S. Int'l Trade Comm'n*, 122 F.3d 1409, 1416 (Fed. Cir. 1997); *In re Grand Jury Proceedings*, 78 F.3d 251, 255 (6th Cir. 1996); *In re*

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[3] Fort James argues that Solo Cup failed to preserve its claim for attorney fees under § 285 by not raising the issue properly before the district court. This argument ignores the fact that Solo Cup expressly requested attorney fees as a remedy for its counterclaim and that the parties' pre-trial briefings identified as an issue for trial the question of whether Solo Cup was entitled to such an award pursuant to § 285. Section 285 grants the district court the power to award attorney fees in exceptional cases, but it places no procedural limitations on the court's ability to make such an award provided that it has jurisdiction over the case. *Sun-Tek Indus., Inc. v. Kennedy Sky Lites, Inc.*, 929 F.2d 676, 678 (Fed. Cir. 1991) (deeming a grant of attorney fees under 35 U.S.C. § 285 made "long after final judgment was entered" to be "a nullity"); *cf.* Fed. R. Civ.P. 54(d)(2) (requiring that motions for attorney fees be filed no later than 14 days after entry of judgment). Under the circumstances, we see no reason to deny the district court the power to consider Solo Cup's claim for attorney fees pursuant to § 285.

Cont'l Ill. Sec. Litig., 732 F.2d 1302, 1314 n.18 (7th Cir. 1984). The waiver extends beyond the document initially produced out of concern for fairness, so that a party is prevented from disclosing communications that support its position while simultaneously concealing communications that do not. *Weil v. Inv./ Indicators, Research & Mgmt., Inc.*, 647 F.2d 18, 24 (9th Cir. 1981) (quoting VIII J. Wigmore, *Evidence* § 2291, at 636 (McNaughton rev. 1961) for the proposition that fairness dictates that a privilege holder "cannot be allowed, after disclosing as much as he pleases, to withhold the remainder"); *Abbott Labs. v. Baxter Travenol Labs., Inc.*, 676 F. Supp. 831, 832 (N.D. Ill. 1987). There is no bright line test for determining what constitutes the subject matter of a waiver, rather courts weigh the circumstances of the disclosure, the nature of the legal advice sought and the prejudice to the parties of permitting or prohibiting further disclosures. *See In re Keeper of the Records XYZ Corp.*, 348 F.3d 16, 23 (1st Cir. 2003) (stating that case law is of limited assistance in determining the scope of a waiver because of the fact-intensive nature of the issues presented); *Eco Mfg. LLC v. Honeywell Int'l, Inc.*, No. 1:03-cv-0170, 2003 WL 1888988, at *2, 2003 U.S. Dist. LEXIS 7257, at *5 (S.D. Ind. Apr. 11, 2003) (citing *United States v. Skeddle*, 989 F. Supp. 917, 919 (N.D. Ohio 1997)).

The district court here determined that the scope of Fort James's waiver should be defined by reference only to its initial disclosure of JR0028487. Because the extent of the privileged material contained in JR0028487 was a two-line reference to counsel's conclusion that Fort James's pre-filing activities did not raise a bar to patentability, the court concluded that only communications specifically referencing commercial sales or public disclosures of the invention were within the subject matter of the waiver. In reaching this conclusion, the court expressly refused to consider the content of the material Fort James voluntarily produced in acknowledgment of its initial waiver. The court excluded the

additional documents from its definition in order to avoid exponentially expanding the scope of the waiver through a never-ending "snowball effect." The formerly withheld documents produced by Fort James directly addressed the conception and reduction to practice of the claimed invention as well as Fort James's pre-critical date activities.

The district court committed two errors in denying Solo Cup's motion to compel production of Document 99. First, it failed to recognize the import of Fort James's knowing disclosure of privileged documents to a third party, conduct which acts as a surrender of the privilege protection. *Burden-Meeks v. Welch*, 319 F.3d 897, 899 (7th Cir. 2003). If the additional documents produced by Fort James involved subject matter beyond the applicability of the on-sale bar mentioned in JR0028487, then Fort James should have redacted those portions of the documents produced. A party's failure to protect its privilege can result in a loss of that privilege. *Dellwood Farms, Inc. v. Cargill, Inc.*, 128 F.3d 1122, 1126 (7th Cir. 1997). Although admirable, Fort James's stated desire to avoid court intervention in the discovery process would not entitle it to dodge the consequences of any careless disclosures. The court erred in concluding that the additional documents produced by Fort James were not relevant to its determination of the scope of Fort James's privilege waiver.

The impact of this initial error is minimal because the court properly defined the subject matter of the waiver as the application of the bars to patentability found in 35 U.S.C. § 102(b). Reversible error occurred, however, when the court determined that only documents containing information on Fort James's commercial activities were within the scope of that waiver.

The Supreme Court has articulated a two-prong test for determining whether § 102(b) bars patentability: 1) the product must be the subject of a commercial offer for sale;

and 2) the invention must be ready for patenting. *Pfaff v. Wells Elec. Inc.*, 525 U.S. 55, 67 (1998). The second prong of this test necessarily implicates the conception and reduction to practice or enablement of the invention. *Id.* at 67-68. Accordingly, Fort James's waiver encompassed not only communications involving commercial sales of the claimed invention, but also communications concerning the inventor's recognition and development of the invention. It would be unfair to permit Fort James to rely on favorable legal opinions, but protect the communications on which those opinions depend. *See In re Martin Marietta Corp.*, 856 F.2d 619, 623 (4th Cir. 1988) (stating that "if a client communicates information to his attorney with the understanding that the information will be revealed to others, that information as well as 'the details underlying the data which was to be published' will not enjoy the privilege" (quoting *United States v. (Under Seal)*, 748 F.2d 871, 875 (4th Cir. 1984)); *United States v. Woodall*, 438 F.2d 1317, 1324 (5th Cir. 1970) ("a client's offer of his own or his attorney's testimony as to a specific communication constitutes a waiver as to all other communications on the same subject matter"); *BASF Aktiengesellschaft v. Reilly Indus., Inc.*, 283 F. Supp. 2d 1000, 1003 (S.D. Ind. 2003) (requiring the production of all documents exchanged regarding the subject matter of the produced legal opinion); *Blackhawk Molding Co., Inc. v. Portola Packaging, Inc.*, No. 03-C-6060, 2004 U.S. Dist. LEXIS 19850 (N.D. Ill. Sept. 30, 2004) (construing production of legal opinions concerning a patent's validity and enforceability to waive privilege on communications regarding claim construction on which the validity and enforceability opinions necessarily rely); *Motorola, Inc. v. Vosi Techs., Inc.*, No. 01-C-4182, 2002 U.S. Dist. LEXIS 15655 (N.D. Ill. Aug. 19, 2002) (holding that a party's desire to rely on counsel's opinions regarding validity requires it to disclose all pre-suit communications of counsel that include construction of the same patents).

Document 99 was drafted well before the filing of the patent application and concerns the conception and reduction to practice of the claimed invention, matters that are directly related to the on sale bar to patentability. We hold that the district court committed clear error in determining that Fort James's waiver of privilege did not encompass Document 99.

III. CONCLUSION

For the foregoing reasons, we reverse the district court's determination that it did not have jurisdiction to hear Solo Cup's counterclaim and its holding that Document 99 was not encompassed within Fort James's waiver of the attorney-client privilege. We remand for further proceedings consistent with this opinion.

IV. COSTS

No costs.

REVERSED and REMANDED

SCHALL, Circuit Judge, dissenting.

The court holds that the district court erred in ruling that Fort James's covenant not to sue Solo Cup for patent infringement divested the court of subject matter jurisdiction over Solo Cup's counterclaim for a declaration that the '140 patent was unenforceable. In my view, however, Fort James's covenant not to sue eliminated any live case or controversy between the parties and thereby rendered Solo Cup's unenforceability counterclaim moot. I thus would affirm the judgment of the district court. I therefore respectfully dissent.

I.

The Declaratory Judgment Act states that "any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration," provided there exists "a case of actual controversy within its jurisdiction." 28 U.S.C. § 2201(a) (2000). The statute requires a court to determine whether "there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of declaratory judgment." *Md. Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941). In determining whether such a controversy exists with respect to claims for patent-based declaratory relief, we have developed a two-part test under which:

> [t]here must be both (1) an explicit threat or other action by the patentee, which creates a reasonable apprehension on the part of the declaratory plaintiff that it will face an infringement suit, and (2) present activity which could constitute infringement or concrete steps taken with the intent to conduct such activity.

BP Chems. Ltd. v. Union Carbide Corp., 4 F.3d 975, 978 (Fed. Cir. 1993); *see also Teva Pharm. USA, Inc. v. Pfizer, Inc.*, 395 F.3d 1324, 1332 (Fed. Cir. 2005). "The element of threat or reasonable apprehension of suit turns on the conduct of the patentee, while the infringement element depends on the conduct of the asserted infringer." *BP Chems.*, 4 F.3d at 978.

A party seeking a declaratory judgment bears the burden of establishing the existence of an actual controversy. *Sierra Applied Scis. v. Advanced Energy Indus., Inc.*, 363 F.3d 1361, 1373 (Fed. Cir. 2004). Moreover, the "actual controversy must be extant at all stages of review, not merely at the time the complaint is filed." *Preiser v. Newkirk*, 422 U.S. 395, 401 (1975). Accordingly, the declaratory-judgment plaintiff has the burden of establishing that "jurisdiction over its declaratory judgment action existed at, and has continued since, the time the [counterclaim] was filed." *Super Sack Mfg. Corp. v. Chase Packaging Corp.*, 57 F.3d 1054, 1058 (Fed. Cir. 1995) (citation omitted); *Sierra Applied Scis.*, 363 F.3d at 1373. We have therefore held that a patentee may divest a court of subject matter jurisdiction over an accused infringer's declaratory judgment action by covenanting not to sue the accused infringer for past or present acts of infringement. *Amana Refrigeration, Inc. v. Quadlux, Inc.*, 172 F.3d 852, 855-56 (Fed. Cir. 1999); *Super Sack*, 57 F.3d at 1059-60.

In *Super Sack*, for example, Super Sack Manufacturing Corporation ("Super Sack") sued Chase Packaging Corporation ("Chase") for infringement of two of its patents. 57 F.3d at 1055. Chase denied infringement and counterclaimed for declaratory judgment of non-infringement and invalidity. *Id.* After completion of discovery, Super Sack moved for summary judgment, which the trial court denied. *Id.* at 1055-56. Chase subsequently moved for summary judgment of non-infringement and invalidity. The court did

not, however, rule on Chase's motion. *Id.* at 1056. Subsequently, Chase requested that the court consider its summary judgment motion. In addition, Chase sought leave to amend its pleadings to include an inequitable conduct counterclaim. *Id.* Super Sack then filed a motion to dismiss the case for lack of jurisdiction based on its promise "not to sue Chase for infringement as to any claim of the patents-in-suit based upon the products currently manufactured and sold by Chase." *Id.* The district court granted Super Sack's motion and dismissed the case.

On appeal, we affirmed the district court's decision to dismiss the case for lack of jurisdiction. We reasoned that, in view of Super Sack's covenant not to sue, "Chase can have no reasonable apprehension that it will face an infringement suit on the '796 and '652 patents with respect to past and present products," and that Chase's counterclaims therefore "fail[ ] to satisfy the first part of our two-part test of justiciability [of claims for declaratory judgment]." *Id.* at 1059. At the same time, we rejected Chase's argument that a case or controversy persisted because Super Sack's covenant did not apply to products developed in the future. In doing so, we pointed out that "the second part of our test of declaratory justiciability respecting patent rights requires that the putative infringer's 'present activity' place it at risk of infringement liability." *Id.* (quoting *BP Chems.*, 4 F.3d at 978) (emphasis in original).

II.

In this case, I understand the court to recognize that, under the holding of *Super Sack*, "a patentee defending against an action for a declaratory judgment of invalidity can divest the trial court of jurisdiction over the case by filing a covenant not to assert the patent at issue against the putative infringer with respect to any of its past, present, or future

acts."[1] 57 F.3d at 1058. The court holds, however, that Fort James's covenant did not divest the trial court of subject-matter jurisdiction in this particular case. According to the court, that is because "the Post-Verdict Covenant had no effect on Fort James's claim for infringement, because that controversy had already been resolved by the jury's verdict." In other words, the court reasons that the rationale of Super Sack does not apply if the patentee issues a covenant not to sue after a finding of non-infringement.

The court states that the Supreme Court decided in *Cardinal Chemical Co. v. Morton International, Inc.*, 508 U.S. 83, 95 (1993), that "a case or controversy adequate to support jurisdiction of a declaratory judgment counterclaim necessarily exists if a party has actually been charged with infringement of a patent." *Relying on Cardinal Chemical*, 508 U.S. at 96, *Altvater v. Freeman*, 319 U.S. 359, 364 (1943), *Fin Control Systems Pty, Ltd. v. OAM, Inc.*, 265 F.3d 1311, 1321 (Fed. Cir. 2001), and *General Electric Co. v. Nintendo Co., Ltd.*, 179 F.3d 1350, 1356 (Fed. Cir. 1999), the court states that the jury verdict of non-infringement did not moot the case because claims of unenforceability and invalidity raise issues beyond those presented by the infringement claim.

III.

I agree with the court that "a case or controversy adequate to support jurisdiction of a declaratory judgment counterclaim necessarily exists if a party has actually been charged with infringement of a patent." *Cardinal Chem.*, 508 U.S. at 95. I further agree that a finding of non-infringement

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[1] As discussed, the actual holding of *Super Sack* was that a covenant not to sue for past or present acts of infringement is sufficient to divest the court of subject-matter jurisdiction. 57 F.3d at 1059.

does not, by itself, moot a counterclaim of invalidity or unenforceability. Where I part company with the court is in my view that Fort James's covenant had the effect of eliminating any real and immediate controversy between the parties and, therefore, mooted Solo Cup's counterclaim.

The covenant was submitted by James F. Kelley, Executive Vice President and General Counsel of Georgia-Pacific Corporation (the entity that owns Fort James). Mr. Kelley stated:

> I hereby declare that Fort James unconditionally covenants not to assert any claim of patent infringement against Solo Cup Company ("Solo") under any claim of United States Patent Nos. 4,609,140 ("the '140 patent"), 4,606,496 ("the '496 patent"), and 4,721,499 ("the '499 patent") with respect to any product currently advertised, manufactured, marketed or sold by Solo, or any product which was advertised, manufactured or sold by Solo prior to December 13, 2002.

It is not disputed that Mr. Kelley had authority to speak for Fort James. Therefore, once Fort James issued the covenant, Solo Cup no longer faced the risk of liability for infringement of the '140 patent based on past or present acts. That is to say, Solo Cup no longer faced the prospect of Fort James pursuing its original infringement claim—through, say, an appeal to this court—or the risk of being sued for other present or past acts of perceived infringement. Under these circumstances, I do not see how Solo Cup's counterclaim continues to satisfy the first prong of our jurisdictional test.

It is true that this case differs from *Super Sack* in that Fort James did not issue its covenant until after the jury's

finding of non-infringement, but I do not think that fact creates or, rather, sustains, the controversy between the parties. That is because, while the timing of the covenant may seem unfair to Solo Cup, the fact remains that Solo Cup is no longer at risk of liability for infringement of the '140 patent. Indeed, the situation in Super Sack actually presented more of a controversy than this case because, there, the defendant still faced the risk of infringement based on future activity, *see Super Sack*, 57 F.3d at 1059 (acknowledging that the defendant "may have some cause to fear an infringement suit" based on products to be developed in the future), whereas in this case, the '140 patent has expired. Solo Cup therefore faces no risk of liability for infringement of the '140 patent. A decision as to the enforceability of the '140 patent would consequently have no effect on the legal relationship of the parties, i.e., Solo Cup's claim of unenforceability is moot. *See DeFunis v. Odegaard*, 416 U.S. 312, 316-17 (1974) (holding that the case was moot because the Court could no longer provide meaningful relief); *North Carolina v. Rice*, 404 U.S. 244, 246 (1971) ("[F]ederal courts are without power to decide questions that cannot affect the rights of litigants in the case before them."); *Powell v. McCormack*, 395 U.S. 486, 496 (1969) ("A case is moot when the issues presented are no longer 'live' or the parties lack a legally cognizable interest in the outcome.").[2]

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[2] Claims for attorney's fees are collateral to the underlying lawsuit for which the fees are sought. *Budinich v. Becton Dickinson & Co.*, 486 U.S. 196, 200-01 (1988) (holding that an attorney's fee award is separate from a trial court's decision on the merits for purposes of the time limits set for appeals under Fed. R. App. P. 4); *Sprague v. Ticonic Nat'l Bank*, 307 U.S. 161, 170 (1939) (indicating that motions for attorney's fees are "independent proceeding[s] supplemental to the original proceeding and not a request for a modification of the original decree"). The issue of attorney's fees is consequently distinct from, and has no effect on, the question of whether a case has become moot. *See Zucker v. Occidental*

My view that there is no longer a live controversy in this case is also unaffected by the fact that it was Fort James that requested the trial court bifurcate the unenforceability claim from the infringement and invalidity claims. I acknowledge that it may seem unfair to allow a patentee to first proceed with its infringement claim and then, if the result is not favorable, eliminate the court's jurisdiction over the accused infringer's counterclaim by covenanting not to sue the accused infringer. Fairness is not part of the jurisdictional inquiry, however. *See Hercules Inc. v. United States*, 516 U.S. 417, 430 (1996) ("[W]e are constrained by our limited jurisdiction and may not entertain claims 'based merely on equitable considerations.' " (citation omitted)). Rather, federal courts must determine whether there is an actual case or controversy, i.e., whether "there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of declaratory judgment." *Md. Cas. Co.*, 312 U.S. at 273. If a case is found to lack such a controversy, then the court's only choice is to dismiss the case.[3]

Petroleum Corp., 192 F.3d 1323, 1329 (9th Cir. 1999) ("No Article III case or controversy is needed with regard to attorney's fees ... because they are but an ancillary matter over which the district court retains equitable jurisdiction even when the underlying case is moot." (emphasis added)).

[3] This is not to say that Fort James's overall litigation conduct could not be used by Solo Cup in trying to establish the existence of an "exceptional case" in a timely motion for attorney's fees under 35 U.S.C. § 285. *See Zucker*, 192 F.3d at 1329 (holding that a trial court still has jurisdiction to entertain motions for attorney's fees after the underlying action has become moot); *see also Gator.Com Corp. v. L.L. Bean, Inc.*, 398 F.3d 1125, 1133 n. 1 (9th Cir. 2005) (en banc) (Tashima, J., concurring).

In short, although an actual controversy may have existed at the time the jury issued its verdict of non-infringement, that controversy became moot when Fort James issued its covenant not to sue. Accordingly, I would affirm the judgment of the district court dismissing Solo Cup's counterclaim seeking a declaratory judgment that the '140 patent is unenforceable. I therefore respectfully dissent.

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

04-1365

FORT JAMES CORPORATION,

Plaintiff-Appellee,

v.

SOLO CUP COMPANY,

Defendant-Apellant.

ORDER

A combined petition for panel rehearing and for rehearing en banc having been filed by the APPELLEE, and a response thereto having been invited by the court and filed by the APPELLANT, and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc and response having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for panel rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

The mandate of the court will issue on September 8, 2005.

FOR THE COURT,

Jan Horbaly
Clerk

Dated: September 1, 2005

cc: Linda A. Kuczma
Russell E. Levine

FORT JAMES CORP V SOLO CUP CO, 04-1365
(DCT - 99-CV-0827)

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF WISCONSIN

FORT JAMES CORPORATION,

Plaintiff,

-vs- Case No. 99-C-0827

SOLO CUP COMPANY,

Defendant.

DECISION AND ORDER

This matter comes before the Court on the plaintiff's (Fort James') motion in opposition to the defendant's (Solo Cup's) request for a hearing on Solo Cup's counterclaims for declaratory judgment on the issue of alleged inequitable conduct by Fort James [393-1]. Fort James argues that the Court no longer has subject matter jurisdiction over the unresolved declaratory judgment counterclaims because there is no longer a justiciable case or controversy between the parties. For the following reasons, the Court agrees with Fort James and concludes that the unresolved counterclaims are moot.

BACKGROUND

This suit was brought by Fort James Corporation alleging that products manufactured and sold by Solo Cup infringed three of Fort James' patents concerning the structure and

appearance of paper plates and the processes used to manufacture them.[1] Solo Cup responded with counterclaims seeking declaratory judgment on the issues of infringement, validity, and enforceability of the three patents. The "enforceability" counterclaims allege that Fort James engaged in inequitable conduct when prosecuting the patents before the Patent and Trademark Office.[2] Prior to trial the Court granted Fort James' request to bifurcate the issues such that Solo Cup's inequitable conduct counterclaims would be tried to the Court following a jury trial on all other issues.

A jury trial was held in November 2002, and the jury returned a verdict finding the patents to be not invalid but not infringed by Solo Cup. Subsequent to the return of the verdict, Fort James provided Solo Cup with a written " unconditional covenant" that it will not assert any patent infringement claim against Solo Cup under any claim of the three patents at issue with respect to "any product currently advertised, manufactured, marketed or sold by Solo or any product which was advertised, manufactured, marketed or sold by Solo prior to [the date the covenant was executed]."[3] Fort James has also covenanted not to seek to overturn the jury's verdict by means of post-trial motions, appeal, or

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[1] The patents at issue are No. 4,606,469, No. 4,609,140 and No. 4,721,499.

[2] The allegedly inequitable conduct consists of failing to disclose known facts that were inconsistent with the inventions claimed in the patents, failing to disclose known prior art, failure to disclose known instances of public use of the inventions prior to patenting, and making intentional material misrepresentations to the PTO.

[3] The covenant is in the form of a sworn affidavit of James F. Kelley, Executive Vice President and General Counsel of Fort James parent company, Georgia-Pacific Corporation.

otherwise. The issue before the Court is whether this covenant eliminates the existence of a case or controversy between the parties such that the Court is deprived of subject matter jurisdiction over the pending "inequitable conduct" counterclaims seeking a declaratory judgment of patent unenforceability.

DISCUSSION

Under the Declaratory Judgment act, 28 U.S.C. § 2201, a district court will adjudicate a request for declaratory relief only when there is an "actual, substantial controversy between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." *NUCOR Corp. v. Aceros Y Maquilas de Occidente, S.A.*, 28 F.3d 572, 577 (7th Cir. 1994); *see also Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 239-41 (1937). As stated by the Federal Circuit in the context of a counterclaim to a patent infringement action:

> A declaratory judgment counterclaim ... may be brought to resolve an 'actual controversy' between 'interested' parties. The existence of a sufficiently concrete dispute between the parties remains, however, a jurisdictional predicate to the vitality of such an action.

Super Sack Manuf. Corp. v. Chase Packaging Corp., 57 F.3d 1054, 1058 (Fed. Cir. 1995)(citations omitted).

Where subsequent events have intervened, it is jurisdictionally insufficient that an "actual controversy" may have existed at the time the request for declaratory judgment was *filed*, and "the proper inquiry [is] whether a 'controversy' requisite to relief ... exist[s] at the time of the [declaratory judgment] hearing[.]" *Golden v. Zwickler*, 394 U.S. 103, 108 (1969); *see also Preiser v. Newkirk*, 422 U.S.

395, 401 (1975) (the "actual controversy must be extant at all stages of review, not merely at the time the complaint is filed.")

In matters concerning requests for declaratory judgment in the arena of patent rights, the Federal Circuit has established the following two-part test for determining the existence of an "actual controversy":

> There must be both (1) an explicit threat or other action by the patentee, which creates a *reasonable* apprehension on the part of the declaratory plaintiff that it will face an infringement suit, and (2) *present* activity which could constitute infringement or concrete steps taken with the intent to conduct such activity.

Super Sack, 57 F.3d at 1058 (emphasis in original).

Fort James contends that *Super Sack* presents a factually analogous situation that compels the conclusion the Solo Cup's unresolved declaratory judgment counterclaims have been rendered jurisdictionally moot by Fort James' covenant not to sue and not to seek alteration or reversal of the jury's verdict. In *Super Sack*, the patent owner sued for infringement and the defendant counterclaimed for a declaratory judgment of patent invalidity. When the plaintiff voluntarily dismissed its infringement claims and offered the defendant a covenant virtually identical to the one executed by Fort James in this case, the court held that there was no longer jurisdiction over the declaratory judgment counterclaims:

> [A] patentee defending against an action for a declaratory judgment of invalidity can divest the trial court of jurisdiction over the case by

> filing a covenant not to assert the patent at issue against the putative infringer with respect to any of its past, present or future acts[.]

Id.

The court concluded that the covenant deprived the defendant of any reasonable apprehension that it would be subjected to claims of infringement of the subject patent with respect to the defendant's past and present products, and that the declaratory judgment counterclaims therefore no longer presented the court with an actual, justiciable controversy under the test quoted above. *Id.* at 1059. Solo Cup attempts to distinguish *Super Sack* on the grounds that in that case, unlike the present one, the trier of fact had made no findings on the question of infringement prior to execution of the covenant. In other words, Solo Cup would like the Court to draw a distinction between a scenario in which a covenant is executed in a case where the patent infringement claims are voluntarily dismissed and one in which a covenant is issued after said claims are tried to verdict. However, Solo Cup does not explain how this distinction is relevant to the ultimate inquiry of whether the *covenant* has disposed of the controversy presented by the unresolved counterclaims regarding patent enforceability. In *Super Sack*, it was the existence and content of the *covenant*, and not the manner in which the infringement claims were resolved, that provided the sole basis for the court's conclusion that an actual controversy had been eliminated for purposes of the declaratory judgment counterclaims. *See Id.* at 1059) ("The legal effect of Super Sack's promise not to sue is the heart of the matter[.]") Indeed, the covenant not to sue provided by Fort James in this case extends *beyond* the issues that were tried to jury verdict. The covenant covers *all* claims of *all three* Fort James patents, whereas the infringement claims asserted at trial, and resolved by the jury, were limited to

claim 1 of the '140 patent and claims 1 and 9 of the '499 patent.[4] Solo Cup's arguments are misplaced to the extent that they ignore the effect of the *covenant* and focus exclusively on what was presented to and decided by the jury. Similarly, Solo Cup has relied on several cases for the proposition that its unresolved counterclaim presents an extant controversy, but none of the cited cases involved a covenant not to sue, which was the basis for the finding of mootness in *Super Sack*.[5] The question presented by Fort James' motion is whether the promises made in its covenant eliminate the existence of the controversy framed by the unresolved counterclaims, and Solo Cup has not provided the Court with any meaningful basis on which to decide that the holding of *Super Sack* is distinguishable from the facts at bar.

Solo Cup makes other arguments that also miss the point, such as (1) Fort James' motion is "inconsistent" because Solo Cup's other counterclaims (regarding non-infringement and invalidity) have already been resolved by the jury; (2) a finding in Solo Cup's favor on the unresolved counterclaims might *possibly* result in the remedy of an award of attorney fees pursuant to 35 U.S.C. § 285 (if the Court were to determine that Fort James' alleged inequitable conduct qualified as an "exceptional case" under the statute); and (3) Fort James might seek to enforce its patents against other entities in the future. The Court does not understand how any of these arguments address the only pertinent issue of

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[4] Prior to trial, Fort James withdrew its claims that Solo Cup was infringing U.S. patent No. 4,606,469.

[5] These cases include *Altvater v. Freeman*, 319 U.S. 359 (1943), *Fin Control Systems Pty, Ltd. v. OAM, Inc.*, 265 F.3d 1311 (Fed. Cir. 2001), *Phonometrics, Inc. v. Northern Telecom, Inc.*, 133 F.3d 1459 (Fed. Cir. 1998), and *Air-vend, Inc. v. Thorne Industries, Inc.*, 625 F. Supp. 1123 (D.C. Minn. 1985).

whether, in light of Fort James' covenant, the alleged non-enforceability of the patents present a live controversy between the parties to this litigation. In sum, Solo Cup has not explained why the enforceability or non-enforceability of the patents against Solo Cup presents an actual controversy that would be extant at the time of the declaratory judgment hearing, and the Court finds that the currently unresolved counterclaims are moot.

NOW, THEREFORE, BASED ON THE FOREGOING, IT IS HEREBY ORDERED THAT:

1. The plaintiff's Motion in Opposition to Solo's Request That the Court Hold a Hearing on Solo's Request for Declaratory Judgment of Inequitable Conduct [393-1] is GRANTED;

2. The defendant's counterclaims seeking declaratory judgment on the issue of enforceability of the patents based on inequitable conduct are DISMISSED as moot; and

3. The hearing currently scheduled for January 16, 2003 is removed from the calendar.

Dated at Milwaukee, Wisconsin, this 15th day of January, 2003.

SO ORDERED,

_____

HON. RUDOLPH T. RANDA

Chief Judge

Supreme Court, U.S.
FILED
MAR 14 2006
OFFICE OF THE CLERK

(2)

No. 05-712

IN THE

Supreme Court of the United States

FORT JAMES CORPORATION,

Petitioner,

v.

SOLO CUP COMPANY,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

OPPOSITION BRIEF

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QUESTION PRESENTED

Whether a patent holder's unconditional covenant not to sue following a jury's verdict of noninfringement moots its opponent's counterclaim alleging that the patent holder unlawfully attempted to enforce a patent obtained through inequitable conduct and therefore that the prevailing party is entitled to relief, including attorneys' fees.

RULE 29.6
CORPORATE DISCLOSURE STATEMENT

Solo Cup Company, an Illinois corporation, was the original defendant in this action. In October 2005, Solo Cup Company (Illinois) merged with and into Solo Cup Operating Corporation, a Delaware corporation. SF Holdings Group, Inc. holds 100 percent of the stock of Solo Cup Operating Corporation. Solo Cup Company, a Delaware corporation, owns 100 percent of the stock of SF Holdings Group Inc. Solo Cup Investment Corporation owns 100 percent of the stock of Solo Cup Company. SCC Holding Company LLC owns 67.2 percent of Solo Cup Investment Corporation. All of these companies are privately held, and therefore no public company owns more than 10 percent of the stock of Solo Cup Operating Corporation.

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ADDITIONAL STATUTORY PROVISION INVOLVED

35 U.S.C. § 285 provides: "The court in exceptional cases may award reasonable attorney fees to the prevailing party."

INTRODUCTION

In 1999, petitioner Fort James Corporation brought this patent infringement case against respondent Solo Cup Company, alleging infringement of three patents related to disposable pressed paperboard containers and methods of manufacturing such containers. Solo Cup denied the infringement allegations. In addition, Solo Cup filed counterclaims, alleging that the patents were invalid and unenforceable on a number of grounds, and seeking relief including attorneys' fees if it prevailed. At Fort James's request, the district court bifurcated the proceedings, forbidding Solo Cup from presenting its evidence of inequitable conduct to the jury and ordering that such evidence instead be presented to the court after the jury verdict.

Following a lengthy and expensive trial, the jury returned a verdict of noninfringement. Solo Cup immediately sought to present its evidence and to prove up its counterclaim for attorneys' fees based on inequitable conduct. Rather than respond on the merits, however, Fort James filed a unilateral, unconditional covenant not to sue or appeal from the jury verdict and asserted that the entire case was therefore moot in an effort to prevent litigation of the question whether Solo Cup, the prevailing party, could demonstrate inequitable conduct warranting a finding of "exceptional case" and attorneys' fees under 35 U.S.C. § 285. The district court found that the case was moot, but the Federal Circuit correctly reversed. As the prevailing party after trial, Solo Cup was plainly entitled to attempt to prove its counterclaim of inequitable conduct and thus its statutory entitlement to fees. And, because Solo Cup's entitlement to coercive relief

based on Fort James's inequitable conduct was the subject of a live dispute between the parties, the case was not moot under this Court's well established jurisprudence.

There is no respect in which this case is worthy of the Court's consideration. It is well established that the prevailing party in a patent infringement case is entitled to demonstrate inequitable conduct and, consequently, a statutory right to attorneys' fees. Accordingly, this case does not hold, as petitioner suggests, that the mootness requirement applies only prior to a jury verdict or that a case is never moot if one party has incurred attorneys' fees. Instead, this case stands for the unexceptionable proposition that, in a patent case, a prevailing party who can prove inequitable conduct is entitled to attorneys' fees under § 285, a form of coercive relief, and therefore that its claim of inequitable conduct does not become moot once infringement is resolved. In addition, the case arises in a unique factual setting, presenting no recurring issue or factual situation. Finally, at best, Fort James is asking the Court to address the application of settled law to a specific set of facts, a request that does not satisfy Supreme Court Rule 10's criteria for review. The petition should be denied.

STATEMENT OF THE CASE

1. In July 1999, Fort James filed its complaint against Solo Cup, ultimately alleging that Solo Cup had infringed three patents related to disposable pressed paperboard containers (such as paper plates) and methods of manufacturing such containers. After some discovery, Solo Cup filed amended counterclaims, seeking declarations of noninfringement, invalidity and unenforceability of the three patents and including attorneys' fees in its prayer for relief. Solo Cup affirmed its request for attorneys' fees under 35 U.S.C. § 285 in the parties' Joint Pretrial Report, at 3 (filed Oct. 17, 2002) ("Solo contends that it is entitled to attorney fees under 35 U.S.C. § 285"); *id.* at 4 (identifying Issue 8 as "Is Solo

entitled to an award of attorney fees under 35 U.S.C. § 285?"). See also App. 2a ("[i]n addition to seeking injunctive relief on its counterclaims, Solo Cup also sought an award of its reasonable attorney fees").

Solo Cup's allegations of invalidity and unenforceability were "grounded in Fort James's conduct during the time period in which the patented invention was developed." App. 2a. Solo Cup asserted that Fort James's patent for high-rigidity paper plates and their method of manufacture was invalid based on Fort James's previous extensive sales of the patented product, see 35 U.S.C. § 102(b) (the on-sale bar to patentability). Critically here, Solo Cup asserted that "Fort James had knowingly failed to disclose to the Patent and Trademark Office ('PTO') information regarding its pre-critical date commercial activit[y]," App. 3a, rendering the patent unenforceable and warranting an award of attorneys' fees under § 285, *id.*

Before the trial, Fort James filed a motion *in limine*, asking that the court preclude Solo Cup from presenting to the jury evidence "on inequitable conduct and unclean hands, the issues underlying Solo Cup's unenforceability counterclaim and its request for attorneys' fees pursuant to 35 U.S.C. § 285." App. 5a. Fort James sought to bifurcate the issue of inequitable conduct. Over Solo Cup's objection, the court granted Fort James's request and determined that a jury would consider the patents' infringement and invalidity and that a bench trial would follow to determine whether Fort James had engaged in inequitable conduct. *Id.*

In November of 2002, a ten-day jury trial was held. At the close of evidence and before the case went to the jury, Solo Cup filed written motions for judgment as a matter of law, including a motion for judgment on the claim of patent invalidity. Ruling on these motions was deferred. App. 5a.

On November 25, 2002, the jury returned a verdict finding that Solo Cup had not infringed the claims of two of Fort

James's patents (Fort James having dropped its allegations related to the third patent prior to trial). App. 5a-6a. The jury also held that Solo Cup had not proven that the patent claims were invalid. *Id.*

Solo Cup's counsel immediately requested a date for hearing on the "open issue with respect to inequitable conduct." Federal Circuit App. ("A.") at 6330 (Tr. at 2112). As counsel explained,

> It's our view that the patents were obtained by fraud in the patent office. Our counterclaim pleads that. It's possible – I am not making any predictions, but it's possible that the Court might agree with us and decide to award attorney's fees based on the fact that the patents are the product of inequitable conduct. So it's our view that the Court should schedule that. We should proceed with it. It once upon a time was going to part of this trial and Your Honor bifurcated it. [*Id.*]

Shortly thereafter, Fort James unilaterally provided Solo Cup with a covenant not to sue on the three patents at issue and, further, agreed not to seek to overturn the jury's noninfringement verdict by means of post-trial motions, appeal, or otherwise. See Post-Verdict Covenant, App. 6a. Based on this covenant, Fort James moved to dismiss Solo Cup's counterclaims as moot, saying that Solo Cup no longer had any reasonable apprehension that Fort James would file suit for patent infringement based on Solo's past or present conduct. *Id.*

Solo Cup filed a motion, asking the court to hold a hearing on its inequitable conduct counterclaim. As Solo Cup explained, "[a]fter an adverse jury verdict, Fort James' covenant not to sue does not render Solo's inequitable conduct counterclaims jurisdictionally moot." A.6320 (Solo Cup's Resp. to Fort James' Mot. in Opp'n to Solo's Request that the Court hold a Hearing on Solo's Request for Decl. J. of Inequitable Conduct (filed Dec. 20, 2002)). That is

because a case or controversy continued to exist, *inter alia*, "with respect to . . . Solo's statutory right under 35 U.S.C. § 285 to a determination of an exceptional case based on Fort James' inequitable conduct." *Id.* See also *id.* at A.6322 ("Solo's counterclaims also lie at the heart of Solo's request for a finding of an exceptional case under 35 U.S.C. § 285 and form the basis of its request for attorneys fees"); *id.* at A.6323 ("Solo should be allowed to seek recovery of its attorney's fees pursuant to its statutory right, in view of Fort James inequitably obtained patents.").

On January 16, 2003, the district court dismissed Solo Cup's counterclaims as moot in light of the Post-Verdict Covenant. App. 6a. As a result, Solo Cup was not permitted to introduce its evidence of inequitable conduct and demonstrate that this was an "exceptional case[]" entitling it to recover attorneys' fees under 35 U.S.C. § 285.

Subsequently, on June 26, 2003, Solo Cup requested consideration of one of the motions for judgment as a matter of law pertaining to the patents' invalidity, which it had filed on November 25, 2002, but which had not yet been resolved by the district court. On March 30, 2004, the district court entered judgment "in favor of the defendant Solo Cup Company and against the plaintiff Fort James Corporation as to the claims of infringement," A.0001 (*Fort James Corp.* v. *Solo Cup Co.*, No. 99-C-0827, slip op. at 1 (E.D. Wis. Mar. 26, 2004)) and also held that Solo Cup's motion for judgment as a matter of law and its counterclaims were "denied as moot." App. 6a-7a. Judgment was entered on March 30, 2004, and the case was dismissed.

On April 29, 2004, Solo Cup filed its Notice of Appeal.

2. On June 22, 2005, the Federal Circuit reversed the district court's decision that Solo Cup's counterclaim and request for attorneys' fees were moot. App. 13a-14a & n.3. Relevant here, the court of appeals held that the jury verdict and the covenant not to sue did not divest the district court of

jurisdiction to address Solo Cup's counterclaim based on Fort James's inequitable conduct and seeking relief including attorneys' fees. *Id.* at 1a, 14a.

Fort James sought rehearing and rehearing en banc, but its petition was denied without dissent. App. 27a-28a.

REASONS FOR DENYING THE PETITION

I. THE FEDERAL CIRCUIT'S DECISION IS WHOLLY CONSISTENT WITH THIS COURT'S MOOTNESS JURISPRUDENCE.

After Fort James filed its patent infringement suit, Solo Cup filed counterclaims including, relevant here, a counterclaim asserting that Fort James had engaged in inequitable conduct, and therefore that the patent was unenforceable and that Solo Cup was entitled to attorneys' fees incurred in defending the wrongfully-filed patent infringement claim. The jury verdict that Solo Cup did not infringe the patents did not moot Solo Cup's counterclaim based on inequitable conduct and seeking as coercive relief the attorneys' fees incurred to obtain that favorable verdict. Nothing in the Federal Circuit decision allowing Solo Cup to show that Fort James engaged in inequitable conduct and that Solo Cup is therefore entitled to fees conflicts with this Court's mootness jurisprudence in any way.

Section 285 authorizes an award of attorneys' fees to a prevailing party in a patent case in "exceptional circumstances." Under the law of the Federal Circuit, a prevailing party may establish exceptional circumstances by demonstrating that its opponent engaged in inequitable conduct – that is, by demonstrating that the patentee failed to disclose material information or submitted false material information to the PTO with intent to deceive. See, *e.g.*, *Pharmacia & Upjohn Co.* v. *Nylan Pharms., Inc.*, 182 F.3d 1356, 1360 (Fed. Cir. 1999); *A.B. Chance Co.* v. *RTE Corp.*,

854 F.2d 1307, 1313 (Fed. Cir. 1988); *Juicy Whip, Inc.* v. *Orange Bang, Inc.*, 292 F.3d 728, 744 (Fed. Cir. 2002).

In the Federal Circuit, a patent infringement defendant's claim for fees under § 285 may arise in two ways: As here, a defendant in a patent infringement suit may file a counterclaim alleging that the patent holder is unlawfully seeking to enforce a patent obtained through inequitable conduct and seeking § 285 fees as relief. See *Buildex, Inc.* v. *Kason Indus., Inc.*, 849 F.2d 1461, 1466 (Fed. Cir. 1988) ("although this [inequitable conduct] issue may appear moot in view of our holding that the '265 patent is invalid under § 102(b), the question of [the patent holders'] conduct in the procurement of the patent is still relevant to Kason's request for attorney fees under 35 U.S.C. § 285, which was not decided by the district court"); *Paragon Podiatry Lab.* v. *KLM Labs., Inc.*, 984 F.2d 1182, 1188-93 (Fed. Cir. 1993) (per curiam) (same, and thus addressing claim of inequitable conduct *after* affirmance of finding of patent invalidity); see also *H.R. Techs.* v. *Astechnologies, Inc.*, 275 F.3d 1378, 1386 (Fed. Cir. 2002).[1]

In the alternative, a prevailing party who has not filed a counterclaim may nonetheless file an application for

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[1] In *H.R. Technologies* v. *Astechnologies, Inc.*, the Federal Circuit upheld a district court's dismissal of a patent infringement action based on the plaintiff's lack of standing, but reversed the district court's simultaneous dismissal of the defendant's counterclaims seeking, *inter alia*, attorneys' fees under § 285. 275 F.3d at 1385-86. The court thus recognized that a counterclaim for attorneys' fees is not mooted by the termination of a plaintiff's patent infringement action.

Thus, Fort James is simply wrong when it characterizes Solo Cup's counterclaim as seeking *only* declaratory relief to support "a *later* claim for attorneys' fees under 35 U.S.C. § 285." Pet. 12 (emphasis added). Instead, the counterclaim alleging that Fort James's patent infringement suit unlawfully sought to enforce a patent obtained through inequitable conduct seeks not simply a finding of inequitable conduct, but the attorneys' fees that would be awarded as damages based on that conduct.

attorneys' fees, seeking to present evidence of inequitable conduct to demonstrate that fees should be awarded. See, *e.g.*, *Lighting World, Inc.* v. *Birchwood Lighting, Inc.*, 382 F.3d 1354, 1366-67 (Fed. Cir. 2004). In neither case does the jury verdict on infringement – even if final and unappealable – render moot the prevailing party's claim for attorneys' fees based on inequitable conduct.

Thus, Solo Cup does not disagree with Fort James's repetition and citation of the established rules of mootness, including that declaratory judgment jurisdiction requires a live controversy at "all stages of review," Pet. 6, 8, and that cases can be mooted "due to actions or events that occur" after judgment is rendered, *id.* at 6-8. The Federal Circuit decision, however, violates none of these rules. The jury verdict of noninfringement followed by Fort James's covenant not to sue or appeal eliminated any controversy between the parties about whether the patents had been infringed. The jury verdict and covenant, however, came too late to prevent Solo Cup from incurring injury and damage at Fort James's hands – *i.e.*, Solo Cup had already incurred substantial attorneys' fees based on Fort James's wrongful attempt to enforce a patent that it had obtained through inequitable conduct. Once Solo Cup suffered this injury and loss based on Fort James's wrongful conduct, it was entitled to prove up its counterclaim and obtain coercive relief in the form of an award of damages measured by its fees. Thus, there remains a continuing controversy between the parties based on Fort James's wrongful attempt to enforce a patent obtained through inequitable conduct.

Fort James notes that the Federal Circuit has held that in a patent infringement case, a live controversy requires "the continued apprehension by the counterclaim plaintiff that it [i]s subject to infringement claims by the patentee." Pet. 8 (citing cases). This is indeed the rule where the counterclaim plaintiff seeks only declaratory relief, but is beside the point here. Once a counterclaim plaintiff has no further reasonable

apprehension that it can be sued for infringement (*e.g.*, when a patent expires), a request solely for declaratory relief without any accompanying claim for coercive relief is moot. But where, as here, the counterclaim plaintiff has already suffered an injury and incurred damages based on the patent holder's inequitable conduct, the counterclaim plaintiff is entitled to prove that the patent holder engaged in such conduct and to seek damages in the form of attorneys' fees and costs.

None of the cases cited by Fort James (Pet. 8) involves a counterclaim plaintiff who *prevailed* in a patent infringement case and who *claimed from the outset* that the suit was itself an unlawful attempt to enforce a patent obtained through inequitable conduct imposing damages (in the form of attorneys' fees and costs) on the counterclaim plaintiff. In *Super Sack Manufacturing Corp.* v. *Chase Packaging Corp.*, 57 F.3d 1054 (Fed. Cir. 1995), the Federal Circuit dismissed counterclaims seeking only declaratory relief after the voluntary dismissal of the plaintiff's patent infringement claim. See *id.* at 1058. The same was true in *Intellectual Property Development, Inc.* v. *TCI Cablevision of California, Inc.*, 248 F.3d 1333, 1341 (Fed. Cir. 2001). And, in *Amana Refrigeration Inc.* v. *Quadlux, Inc.*, 172 F.3d 852, 855 (Fed. Cir. 1999), a declaratory judgment action was dismissed when the defendant patent holder responded by filing a declaration covenanting not to sue the plaintiff for infringement of the patent at issue.

In each of these cases, the Federal Circuit correctly recites and embraces the principle that a live controversy must exist at all stages of litigation. Here, however, Solo Cup's counterclaim – filed well before the jury verdict and covenant not to sue or appeal – sought declaratory relief *and* damages incurred as a result of being forced to defend against Fort James's unlawful enforcement of a patent obtained through inequitable conduct. The claim for damages is not mooted by the belated resolution of the infringement controversy.

Fort James also argues that a claim for attorneys' fees does not give life to a case that has become moot. Pet. 13. It is certainly true that, as a general matter, an application for attorneys' fees raises a collateral issue and that a request for fees does not, without more, give rise to a controversy subject to federal court jurisdiction. But, Solo Cup has not simply filed a lawsuit seeking fees. Instead, having prevailed after trial in a patent infringement case, Solo Cup seeks to litigate its previously-filed counterclaim alleging that Fort James unlawfully sought to enforce a patent that it obtained through inequitable conduct, causing substantial damage to Solo Cup including attorneys' fees. In this setting, attorneys' fees are part of the relief to which Solo Cup is entitled as a consequence of Fort James's wrongful conduct, not an independent collateral issue.

Fort James attempts to make it appear that the Federal Circuit determined that this case is not moot solely because Fort James covenanted not to sue or appeal *after* the jury verdict was reached. In fact, however, this case is not moot because Solo Cup was *not* seeking only declaratory relief, but was also seeking coercive relief for injuries suffered as a result of Fort James's unlawful conduct. And, the Federal Circuit has simply recognized what is clearly true – that a live controversy exists between two parties where one alleges that he or she has suffered a legal wrong resulting in compensable damage at the hands of the other. See App. 14a (remanding for determination of both unenforceability on the basis of inequitable conduct *and* request for attorneys' fees pursuant to 35 U.S.C. § 285); *id.* at 14a n.3 (explaining that Fort James's arguments "ignore[] the fact that Solo Cup expressly requested attorney fees as a remedy for its counterclaim and that the parties' pre-trial briefings identified as an issue for trial the question of whether Solo Cup was entitled to such an award pursuant to § 285").

Solo Cup successfully defended against Fort James's claims of patent infringement in a lengthy, expensive trial,

incurring substantial attorneys' fees. Solo Cup, as the prevailing party, is entitled to seek to prove that Fort James engaged in inequitable conduct in obtaining its patents and therefore that this action seeking to enforce those unlawfully obtained patents was an exceptional case justifying an award of attorneys' fees under § 285. Fort James's covenant not to sue or appeal was simply a belated gimmick to abrogate Solo Cup's right to pursue attorneys' fees based on inequitable conduct as a prevailing party in a patent case.

II. THE DECISION BELOW IS WHOLLY CONSISTENT WITH *CARDINAL CHEMICAL*.

Cardinal Chemical Co. v. *Morton International, Inc.*, 508 U.S. 83 (1993), stands for the proposition that a patent infringement case is not moot where the resolution of a discrete controversy about patent infringement does not resolve the entirety of a controversy between the parties. That is precisely the situation here. Although there is no longer a controversy about whether Fort James's patents were infringed, there remains a dispute between the parties concerning whether Fort James's unlawful attempt to enforce a patent obtained through inequitable conduct resulted in damages to Solo Cup, in the form of attorneys' fees and costs. Thus, *Cardinal Chemical* is entirely consistent with the Federal Circuit's decision that there remains a live controversy between the parties here, as a result of damages that had already been incurred by Solo Cup by the time Fort James belatedly filed its covenant not to sue or appeal in an effort to avoid answering for its wrongful conduct.

In *Cardinal Chemical*, this Court held that the affirmance of a finding that a patent was not infringed does not, by itself, require the vacatur of a judgment of patent invalidity. See 508 U.S. at 95-97. Specifically, the Court recognized that a final determination that a patent has not been infringed does not always render counterclaims for unenforceability and invalidity moot. For example, "a company once charged with infringement [is] concerned about *the risk of similar charges*

if it develops and markets similar products in the future." *Id.* at 99-100 (emphasis supplied). As long as there is some risk of a future accusation of infringement, a counterclaim for invalidity is not moot. Thus, the Court explained, a declaratory judgment may be sought to "avoid the threat of a 'scarecrow' patent" used to gain an advantage over a competitor. *Id.* at 95-96, 100.

Here, the effect of litigating Solo Cup's counterclaim would be, first, a determination whether Fort James obtained its patent through inequitable conduct and, second, a determination whether that inequitable conduct entitles Solo Cup to its attorneys' fees pursuant to § 285 for defending against Fort James's wrongful attempt to enforce that patent. This is a dispute between the parties that has not been mooted by Fort James's covenant not to sue or appeal the noninfringement verdict.[2]

Fort James, however, claims that the Federal Circuit misread *Cardinal Chemical* to hold that a jury verdict of noninfringement *never* moots a declaratory judgment counterclaim for invalidity or unenforceability. Pet. 9. This is not what the Federal Circuit said, as is revealed by its citation of *Super Sack* and the *Super Sack* test for determining when the resolution of a patent infringement claim moots the defendant's request for declaratory judgment. App. 12a. Instead, the Federal Circuit focused on the "unique procedural posture of the instant case" (*id.*) and the fact that the infringement "controversy had already been resolved by the jury verdict," precisely because Solo Cup had incurred

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[2] *Cf. In re Skinner & Eddy Corp.*, 265 U.S. 86, 93-94 (1924) ("[T]he usual ground for denying a complainant in equity the right to dismiss his bill without prejudice at his own costs is that the cause has proceeded so far that the defendant is in a position to demand on the pleadings an opportunity to seek affirmative relief and he would be prejudiced by being remitted to a separate action. Having been put to the trouble of getting his counter case properly pleaded and ready, he may insist that the cause proceed to a decree.").

damages by being forced to defend against Fort James's attempt to enforce its inequitably obtained patent. See *id.* at 14a (remanding for determination of inequitable conduct counterclaim *and* request for attorneys' fees pursuant to 35 U.S.C. § 285); *id.* at 14a n.3 (Fort James "ignores the fact that Solo Cup expressly requested attorney fees as a remedy for its counterclaim and that the parties' pre-trial briefings identified as an issue for trial the question of whether Solo Cup was entitled to such an award pursuant to § 285").[3]

This case, accordingly, is akin to *Altvater* v. *Freeman*, 319 U.S. 359 (1943). There, this Court concluded that a decision of noninfringement did not moot a counterclaim alleging patent invalidity, explaining that the counterclaim raised issues that "were justiciable and . . . the controversy between the parties did not come to an end on the dismissal of the bill [of infringement], since their dispute went beyond" the patent claims in the infringement suit. *Id.* at 363-64. Similarly here, because the parties' infringement dispute was litigated to verdict and Solo Cup prevailed, its counterclaim alleging that Fort James's effort to enforce a patent inequitably obtained resulted in damages, specifically attorneys' fees, now requires resolution, as the Federal Circuit correctly held.

III. IN ANY EVENT, THE QUESTION PRESENTED IS NEITHER IMPORTANT NOR RECURRING.

At the end of its Petition, Fort James essentially acknowledges that there is an ongoing controversy between the parties, saying "Solo is not pursuing its unenforceability counterclaim merely for the satisfaction of learning 'who was right.'" Pet. 12. Indeed, Fort James recognizes that if the

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[3] Thus, the Federal Circuit did not "analyze[] the situation as if the covenant [not to sue or appeal] did not exist." Pet. 9. The Federal Circuit simply and correctly recognized that the covenant had no effect on the question presented by Solo Cup's counterclaim: whether Fort James's unlawful attempt to enforce a patent obtained through inequitable conduct had damaged Solo Cup by requiring it to incur attorneys' fees and costs.

allegations in Solo Cup's counterclaim are correct – *viz.*, if Fort James's patent infringement suit unlawfully sought to enforce a patent obtained through inequitable means – then Solo Cup is entitled to recover damages in the form of the attorneys' fees and costs it incurred in defending this suit. *Id.*

In Fort James's view, however, Solo Cup was required to litigate the parties' ongoing controversy about whether Fort James engaged in inequitable conduct warranting an award of attorneys' fees by filing an application for fees under Fed. R. Civ. P. 54, rather than by litigating its counterclaim alleging that the suit sought to enforce an inequitably obtained patent and thereby caused damages including fees.

As an initial matter, this kind of issue – a dispute about the proper procedure for addressing the question of inequitable conduct and attorneys' fees – is not worthy of this Court's review. It does not implicate any fundamental issue with respect to the federal courts' jurisdiction. Indeed, the parties *agree* that there remains a controversy about inequitable conduct and fees and disagree only about how such claims should be managed in the district courts. Thus, the only dispute here is a purely factual one that does not warrant certiorari review.

In any event, the Federal Circuit has addressed inequitable conduct sufficient to warrant attorneys' fees for a prevailing party in two different settings, as set forth *supra* at 6-8. As Fort James points out, the question whether a party engaged in inequitable conduct or other conduct justifying a fee award can be litigated in a post-trial proceeding involving a fee application. See Pet. 12; *Paragon Podiatry Lab.* 984 F.2d at 1188 n.6 (holding of patent invalidity did not moot claim for attorneys' fees based on inequitable conduct); *Cambridge Prods., Ltd.* v. *Penn Nutrients, Inc.*, 962 F.2d 1048, 1050 (Fed. Cir. 1992) (claim for attorneys' fees and costs not mooted by dismissal of underlying case). In addition, the question whether a party engaged in inequitable conduct warranting relief including attorneys' fees may be litigated as

a counterclaim. See *supra* at 6-7. The Federal Circuit's determination that a counterclaim based on inequitable conduct and seeking attorneys' fees remains alive after a patent infringement verdict against the patent holder is entirely correct and reasonable. Indeed, it comports with this Court's recognition of "the importance to the public at large of resolving questions of patent validity" because there is a significant danger that the holders of invalid patents may be awarded improper monopoly privileges as long as the patent's validity is an unsettled question. *Cardinal Chem.*, 508 U.S. at 100-01.

The relevance of the foregoing to this Court, however, is that it confirms that there is no reason that the petition should be granted. Nothing of substance is at stake. All parties and the Federal Circuit agree that once a defendant prevails in patent infringement litigation, that defendant is entitled to litigate the question whether the patent holder engaged in inequitable conduct and, if so, to obtain attorneys' fees under 35 U.S.C. § 285. No one believes or contends that *this* controversy or dispute between the parties is mooted by the jury verdict of noninfringement or the losing party's post-trial covenant not to sue or appeal. Nor is this question likely to recur with any frequency. The question whether a patent holder's inequitable conduct damaged another and thus should give rise to an award of fees is routinely litigated without any jurisdictional issues arising.

Finally, at most, Fort James is challenging the application of this Court's established mootness jurisprudence to a specific factual setting – a setting the Federal Circuit aptly described as "unique," App. 12a. This is not a sufficient ground for this Court to grant review under Supreme Court Rule 10.

CONCLUSION

For the foregoing reasons, this Court should deny the petition for writ of certiorari.

Respectfully submitted,

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IN THE

Supreme Court of the United States

FORT JAMES CORPORATION,

Petitioner,

v.

SOLO CUP COMPANY,

Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

REPLY TO BRIEF IN OPPOSITION

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CORPORATE DISCLOSURE STATEMENT

Pursuant to this Court's Rule 29.6, petitioner Fort James Corporation states: Fort James Corporation is wholly owned by Georgia-Pacific Corporation, which is wholly owned by Georgia-Pacific Holdings, LLC, which is wholly owned by Georgia-Pacific, LLC, which is wholly owned by Koch Renewable Resources, Inc., which is wholly owned by Koch Industries Inc., a privately held company. Therefore, no public company owns more than 10 percent of the stock of Fort James Corporation or of any parent company.

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INTRODUCTION

The question presented is whether the Federal Circuit erred in holding that the Covenant tendered to Solo by Fort James was ineffective to moot the controversy and extinguish subject matter jurisdiction over Solo's declaratory judgment counterclaim solely because it was tendered *after* the verdict rather than before the verdict. The answer to this question is "yes, the Federal Circuit erred" because jurisdiction must exist at "all stages of review," not just before the verdict. *Preisser v. Newkirk*, 422 U.S. 395, 401 (1975). Contrary to the Federal Circuit's holding, and as recognized by the dissent, the timing of the acts or events that create definitive mootness is simply irrelevant to subject matter jurisdiction.

Solo's opposition attempts to recast *both* the cause of action that the district court dismissed as moot and the Federal Circuit's holding reversing the district court in an effort to avoid review of this central "before vs. after" question. Moreover, as Solo has recast the decision below, district courts not only will be burdened with issuing advisory opinions on claims and counterclaims that have been rendered moot if the acts creating definitive mootness occurred after a verdict, but also will be further burdened by having to issue advisory opinions whenever a party has made a prayer for fees as a part of its request for relief. In essence, events during the litigation could almost never create definitive mootness. Solo's attempt to whitewash over and actually compound the Federal Circuit's jurisdictional error should not prevent this Court from granting *certiorari*, curing the error, and ensuring that district courts are not required to issue advisory opinions on moot issues.

ARGUMENT IN REPLY

I. SOLO DOES NOT ADDRESS THE HOLDING BELOW THAT A COVENANT TENDERED *PRE-VERDICT* MOOTS JURISDICTION WHILE ONE TENDERED *POST-VERDICT* DOES NOT

Denying the obvious, Solo acts as if the Federal Circuit panel majority's opinion has nothing to do with whether Fort James tendered the Covenant before or after the jury verdict, but instead turns on the presence of a phantom additional coercive "claim" for attorneys' fees. Opp. at 10. This flies in the face of the actual Federal Circuit decision which, with laser precision, focused on *when* the Covenant was issued. Petition Appendix ("App.") at 12a-13a. And it will come as a shock to the dissent (to which Solo does not even give a nod), which concluded that "[i]t is true that this case differs from *Super Sack* in that Fort James did not issue its Covenant until after the jury's finding of non-infringement, but I do not think that fact creates or, rather, sustains, the controversy between the parties." App. at 23a-24a.

The holding of the majority opinion below is that an unconditional covenant not to sue, or challenge the verdict on post-trial motions or on appeal, tendered after a verdict of non-infringement does not have the same legal effect on the continuing controversy between the parties as one tendered before a verdict. App. 12a-13a. Because this holding cannot be reconciled with the indisputable principle that Article III of the Constitution and the Declaratory Judgment Act require an actual case or controversy at "all stages of review," *Preisser*, 422 U.S. at 401, it is not surprising that Solo does not defend it.

Putting aside the *opinion* below, the prayer for relief for attorneys' fees does not provide an alternative basis to affirm the *judgment*. Rather, "a claim for attorneys' fees does not

preserve a case that has become moot on appeal." *United States v. Ford*, 650 F.2d 1141, 1143 (9th Cir. 1981) (citing *Wash. Mkt. Co. v. District of Columbia*, 137 U.S. 62 (1890)); *see also Budinich v. Becton Dickinson & Co.*, 486 U.S. 196, 200-01 (1988); *Sprague v. Ticonic Nat'l Bank*, 307 U.S. 161, 170 (1939); *Horne v. Firemen's Ret. Sys.*, 69 F.3d 233, 236 (8th Cir. 1995). But under Solo's view, once the first dollar in fees accrues, the existence of a prayer for attorneys' fees in any case would *always* prevent a declaratory judgment claim from becoming moot based on *any* events during a litigation, *no matter when* the events occurred. Such a result would further burden our district and circuit courts.

II. THIS CASE INVOLVED SOLO'S CLAIM FOR A DECLARATION THAT FORT JAMES'S PATENT IS UNENFORCEABLE, AND NOTHING MORE

The district court properly dismissed Solo's counterclaim for "a declaratory judgment of patent unenforceability" of Fort James's patent, which Solo expressly made under the Declaratory Judgment Act. 28 U.S.C. § 2201. Federal Circuit App. ("A.") at 242. And the Federal Circuit majority explains quite plainly in the first few lines of its opinion that this case involved Solo's appeal "from a post-trial order of the district court that dismissed for lack of jurisdiction its counterclaim for a declaration of unenforceability." App. at 1a. Despite this, Solo variously argues in opposition that the ruling involved a "counterclaim for attorneys' fees based on inequitable conduct," a "claim of inequitable conduct," and a claim for "coercive relief" for "damages" in the form of attorneys' fees. Opp. at 1-2, 8-9. This is a red herring. There were no such claims or counterclaims, and certainly none were at issue on appeal.

Solo further presents the issue as involving a counterclaim alleging Fort James' unlawful *enforcement* of a patent obtained through inequitable conduct. Opp. at i. But

Solo made no such claims made under *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*, 382 U.S. 172, 174 (1965) ("*enforcement* of a patent procured by fraud on the Patent Office may be violative of § 2 of the Sherman Act") (emphasis added).[1] The only connection between *enforcement* and Solo's declaratory judgment counterclaim is that ongoing enforcement or threat of enforcement is necessary to sustain jurisdiction, an element now missing. Seeking a declaration that a patent is unenforceable is not the same as seeking damages for unlawful enforcement of the same patent. *MedImmune, Inc. v. Genentech, Inc.*, 427 F.3d 958, 967-69 (Fed. Cir. 2005), *cert. granted on separate issue*, 74 U.S.L.W. 3457 (U.S. Feb. 21, 2006) (No. 05-608).

To be sure, Solo's prayer for relief included a request for attorneys' fees under 35 U.S.C. § 285, Opp. at 2, the statutory exception to the "American Rule" in patent cases. Under § 285, a prevailing party in a patent case may seek recovery of attorneys' fees in "exceptional" cases.[2] One factor that *may* support a district court's finding that a case is exceptional is if the patent was obtained through inequitable conduct. *Reactive Metals & Alloys Corp. v. ESM, Inc.*, 769 F.2d 1578, 1582 (Fed. Cir. 1985). Even in such cases, however, an award of fees is not automatic and Solo misstates the law when it argues that a finding of inequitable

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1 Even if there were, attorneys' fees are recoverable not as antitrust damages, but rather—as in the Patent Act and other federal statutes—under specific statutory provisions authorizing recovery of attorneys' fees. *See* 15 U.S.C. §§ 15(a), 26.

2 Here, the jury returned a "tie" verdict finding the patent not infringed but valid. Thus, the legal relationship between the parties did not change and neither party is the prevailing party. *Manildra Milling Corp. v. Ogilvie Mills, Inc.*, 76 F.3d 1178, 1182 (Fed. Cir. 1996).

conduct provides a "statutory entitlement," Opp. at 1, to attorneys' fees. *Id.* ("even though inequitable conduct before the PTO is found, fees may be refused to the prevailing party").

Thus, while Solo sought a declaration of unenforceability *based on* inequitable conduct, and in principle a motion for attorneys' fees made under § 285 may be *based on* inequitable conduct, this factual overlap does not merge the two. The only judgment of the district court on appeal is the dismissal of Solo's counterclaim for a declaration that the patent is unenforceable. Solo's appeal to the Federal Circuit was not from a denial of attorneys' fees—the district court did not deny Solo attorneys' fees because Solo did not move for them—and, accordingly, the issue was not and is not presented.

Solo attempts to distinguish the prior Federal Circuit decisions in *Super Sack Manufacturing Corp. v. Chase Packaging Corp.*, 57 F.3d 1054 (Fed. Cir. 1995), and *Intellectual Property Development, Inc. v. TCI Cablevision of California. Inc.*, 248 F.3d 1333 (Fed. Cir. 2001), on the basis that those cases involved requests solely for declaratory relief "without any accompanying claim for coercive relief." Opp. at 9. In fact, in *Super Sack* the defendant had pled a counterclaim that the case was exceptional and had included in its prayer for relief a request for attorneys' fees. And the defendant in *Intellectual Property Development* had pled a counterclaim of unenforceability and had included in its prayer for relief a determination that the case was exceptional and an award of attorneys' fees.[3] Solo's opposition thus

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[3] Relevant pleadings from these two cases may be found in the Federal Circuit record at pages SA13-29 of Fort James's Supplemental Appendix.

draws a false distinction, and Solo's pleadings in this case offer nothing beyond (and in fact less than) those in the prior Federal Circuit cases. A.246-48.

III. THE ISSUE PRESENTED IS IMPORTANT AND WARRANTS CORRECTION BY THIS COURT

Solo dismissively argues that a "dispute about the proper procedure" for addressing attorneys' fees "is not worthy" of this Court's review. Opp. at 4. For one, this case is not about attorneys' fees, it is about whether acts and events that create definitive mootness can only occur before a verdict and, as applied to the facts of this case, whether the Covenant tendered after the verdict mooted the controversy as to Solo's counterclaim seeking a declaratory judgment that Fort James's now-expired patent is unenforceable. Regardless, this Court frequently addresses the "proper procedures" that must be followed in the federal courts.

For example recently in *Unitherm Food Systems, Inc. v. Swift-Eckrich, Inc.*, 126 S. Ct. 980, 987 (2006), this Court held that the defendant's "failure to comply with Rule 50(b) forecloses its challenge to the sufficiency of the evidence." While there was no dispute in *Unitherm* that the defendant had the abstract "right" to seek post-verdict review, that right had to be availed within and not without the federal rules.

The present case is similar. Though Solo certainly had the "right" under 35 U.S.C. § 285 to move for attorneys' fees under Fed. R. Civ. P. 54(d)(2), Solo did not do so (though it knew to make a timely request for costs under Fed. R. Civ. P. 54(d)(1)) A.85-86. Contrary to Solo's arguments, Opp. at 7, a declaratory judgment count is not a substitute or "alternative" basis to seek fees. A proper and timely motion for fees under Rule 54(d)(2) is always required when fees are sought under § 285. *IPXL Holdings, L.L.C. v. Amazon.com, Inc.*, 430 F.3d 1377, 1386 (Fed. Cir. 2005) ("No provision in

section 285 exempts requests for attorney fees thereunder from compliance with Rule 54(d)(2)(B)."). Solo's failure to move for attorneys' fees as required does not allow a fictional coercive claim for attorneys' fees to spring out of a moot declaratory judgment count with some potential factual overlap.

Moreover, cases where an accused infringer seeks a declaration of unenforceability and makes a prayer for attorneys' fees are more the rule than the exception. Counterclaims seeking a declaration that the patentee has conducted inequitable conduct are so common that the Federal Circuit has described them as a "plague." *Multiform Desiccants, Inc. v. Medzam, Ltd.*, 133 F.3d 1473, 1482 (Fed. Cir. 1998). And it is a matter of course in such counterclaims to make a prayer for attorneys' fees under § 285. As Solo has recast the issue—that simply including a prayer for attorneys' fees creates sufficient controversy that such counterclaims may never be rendered moot, Opp. at 9—the case or controversy requirement under the Declaratory Judgment Act and Article III of the Constitution is itself made a nullity in any such case, that is, in what must be most patent cases in the federal courts.

CONCLUSION

For the foregoing reasons, as well as those set forth in the petition, this Court should grant the petition, and either summarily reverse the decision below or set the case for review.

Respectfully submitted,

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